

Cal Poly Corporation
Audited Financial Statements and
Supplementary Information
Years Ended June 30, 2021 and 2020

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Supplementary Information
Years Ended June 30, 2021 and 2020

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Independent Auditors' Report

Board of Directors
Cal Poly Corporation
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying statements of net position of Cal Poly Corporation (the Corporation), a component unit of California Polytechnic State University, San Luis Obispo, as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

SAN LUIS OBISPO

1150 Palm Street
San Luis Obispo, CA 93401
p 805 544 1441
f 805 544 4351

PASO ROBLES

102 South Vine Street, Ste. A
Paso Robles, CA 93446
p 805 237 3995
f 805 239 9332

SANTA MARIA

2222 South Broadway, Ste. A
Santa Maria, CA 93454
p 805 922 4010
f 805 922 4286

Board of Directors
Cal Poly Corporation
San Luis Obispo, California
Page 2

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 17, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 63 through 64, Schedule of Contributions – OPEB on pages 65 through 66, Schedule of Changes in the Net Pension Liability and Related Ratios on pages 67 through 68, and the Schedule of Contributions – Pension on page 69, be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 71 through 77 as required by the California State University and other supplementary information on pages 79 through 80 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 10, 2021

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

The Cal Poly Corporation ("Corporation") is an auxiliary organization of the California Polytechnic State University, San Luis Obispo ("University"). The Corporation is an IRC Section 501(c)(3) not-for-profit public benefit organization established to provide services which complement the instructional program of the University and assist the institution in achieving its educational mission.

This section of the Corporation's annual financial report presents a discussion and analysis of the financial performance of the Corporation during the fiscal years ended June 30, 2021 ("2010-21"), June 30, 2020 ("2019-20"), and June 30, 2019 ("2018-19"). This discussion has been prepared by management and should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes. The financial statements presented here are incorporated into the University's financial statements as a component unit.

Introduction to the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). For reporting purposes, the Corporation is considered a special-purpose government engaged in business-type activities which best represent the activities of the Corporation as an auxiliary organization of the University.

The financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements provide information about the Corporation's financial position as a whole and the results of activities on that position for each year presented. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which recognizes expenses when incurred and revenues when earned rather than when payment is made or received. They are supported by the Notes to Financial Statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Corporation.

Statements of Net Position: The Statements of Net Position include all assets, deferred outflows, liabilities, and deferred inflows of the Corporation reported at their recorded value, as of the statement date. Net position - the difference between assets plus deferred outflows and liabilities plus deferred inflows - is one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in net position can be an indicator as to whether the Corporation's financial health is improving or declining.

Statements of Revenues, Expenses, and Changes in Net Position: The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year.

Statements of Cash Flows: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital financing, capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the years' activities.

Cal Poly Corporation
Management’s Discussion and Analysis
June 30, 2021 and 2020

Analytical Overview

Summary

The following discussion highlights management’s understanding of the key financial aspects of the Corporation’s financial activities for the fiscal years 2020-21, 2019-20, and 2018-19. The accompanying audited financial statements as of and for the years ended June 30, 2021 and 2020 are reported in accordance with standards and requirements of the GASB, as are the following schedules.

The Corporation experienced material operating losses for 2020-21 resulting from the economic impact of the COVID-19 pandemic (the “Pandemic”). In response to the Pandemic, the University made a decision to provide the 2020-21 academic year virtually. As a result, Corporation operations experienced material operating revenue losses. In response, the Corporation reduced discretionary spending and implemented a series of furloughs across all employee types. However, these measures only reduced the 2020-21 operating losses as reflected in the accompanying financial statements.

Condensed Statements of Net Position

| | June 30, | | |
|----------------------------------|-----------------|----------------|----------------|
| | 2021 | 2020 | 2019 |
| Assets: | | | |
| Current assets | \$ 95,674,793 | \$ 88,379,918 | \$ 104,237,377 |
| Noncurrent assets: | | | |
| Capital assets, net | 77,369,645 | 75,728,437 | 61,517,875 |
| Other noncurrent assets | 48,577,062 | 44,926,570 | 44,172,965 |
| Total assets | 221,621,500 | 209,034,925 | 209,928,217 |
| Deferred Outflows of Resources | 5,015,650 | 3,765,002 | 4,465,904 |
| Liabilities: | | | |
| Current liabilities | 19,164,860 | 16,606,085 | 15,675,567 |
| Noncurrent liabilities | 61,317,229 | 59,566,732 | 57,880,396 |
| Total liabilities | 80,482,089 | 76,172,817 | 73,555,963 |
| Deferred Inflows of Resources | 15,962,393 | 14,847,782 | 15,500,908 |
| Net Position: | | | |
| Net investment in capital assets | 37,708,825 | 35,562,572 | 20,810,618 |
| Restricted, expendable | 16,150,756 | 22,364,743 | 23,936,253 |
| Unrestricted | 76,333,087 | 63,852,013 | 80,590,379 |
| Total net position | \$ 130,192,668 | \$ 121,779,328 | \$ 125,337,250 |

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2021, assets and deferred outflows exceeded liabilities and deferred inflows by \$130.2 million, resulting in an increase of \$8.4 million in net position from the prior year. The increase primarily represents the net result of an \$18.9 million operating loss combined with net nonoperating revenues of \$24.8 million and capital grants and gifts of \$2.6 million. For the year ended June 30, 2020, overall net position decreased \$3.6 million. The decrease in net position primarily represents the net result of a \$12.8 million operating loss combined with net nonoperating revenues of \$5.3 million and capital grants and gifts of \$3.9 million. Operating losses reflected on the Statements of Revenues, Expenses and Changes in Net Position are primarily the result of the classification of gifts as nonoperating revenues. A majority of these gifts are meant to support *University programs support* expenses, which are classified as operating expenses. Without these gifts, the related *University programs support* expenses would not occur. In addition, as mentioned previously, operating losses for 2020-21 were further exacerbated by the economic impact of the Pandemic.

Net investment in capital assets represents the Corporation's capital assets, net of accumulated depreciation and amortization, and also net of outstanding balances of related debt. The Corporation uses these capital assets in its day-to-day operations. For the year ended June 30, 2021, net investment in capital assets increased \$2.1 million or 6% from the prior year. During 2020-21, capital asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets. Capital asset additions primarily relate to the completion of the new Vista Grande dining facility. For the year ended June 30, 2020, net investment in capital assets increased \$14.8 million or 70.9% from the prior year. During 2019-20, capital asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets.

Restricted, expendable represents the portion of the Corporation's net position that is restricted by donors or by law. The following table summarizes at year end which funds are restricted, the type of restriction, and the amount:

| | Year Ended June 30, | | |
|------------------------------|----------------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 |
| Restricted, expendable: | | | |
| Research | \$ 130,050 | \$ 184,479 | \$ 157,727 |
| Capital projects | 374,807 | 2,751,539 | 5,985,101 |
| Instruction | 5,785,704 | 6,134,428 | 6,776,672 |
| Academic support | 787,406 | 601,528 | 477,408 |
| Student services | 4,067,568 | 4,293,093 | 4,313,584 |
| Other | 5,005,221 | 8,399,676 | 6,225,761 |
| Total restricted, expendable | <u>\$ 16,150,756</u> | <u>\$ 22,364,743</u> | <u>\$ 23,936,253</u> |

This balance can fluctuate from year to year based on the level of gift activity and expenditures. For the year ended June 30, 2021, overall restricted, expendable net position decreased \$6.2 million or 27.8% from the prior year. The decrease is primarily the result of a \$2.3 million decrease in net position restricted for capital projects. During the current year, the Corporation expended pledges and gifts previously received on behalf of athletics for capital

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

projects, including the golf clubhouse and the baseball clubhouse. In addition, net position restricted for other purposes decreased \$3.4 million. During 2019-20, a pledge for \$2 million was received to establish a new center with a focus on enhancing the efficacy of organic farming.

For the year ended June 30, 2020, overall restricted, expendable net position decreased \$1.6 million or 6.6% from the prior year. The decrease is primarily the result of a \$3.2 million decrease in net position restricted for capital projects. During 2019-20, the Corporation expended pledges and gifts previously received on behalf of athletics for capital projects, including the beach volleyball facility and the baseball clubhouse. In addition, net position restricted for other purposes increased \$2.2 million due to the previously mentioned pledge to establish a new center with a focus on enhancing the efficacy of organic farming.

Gifts and pledges received are often restricted by their donors. Fluctuations in restricted, expendable net position are based on the timing of project expenditures in relation to the receipt of gifts and other funds.

Unrestricted represents the portion of net position that can be used to finance day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, significant portions of unrestricted net position are designated for specific programs or projects. For the year ended June 30, 2021, unrestricted net position increased by \$12.5 million to \$76.3 million from the prior year. The increase was driven by \$16.1 million in market value gains across all Corporation investments offset by capital expenditures for campus dining operations, including completion of the new Vista Grande dining facility. For the year ended June 30, 2020, unrestricted net position decreased by \$16.7 million to \$63.8 million from the prior year. The decrease was driven by significant capital expenditures for campus dining operations, including construction-in-progress for the new Vista Grande dining facility.

Assets

Current assets represent assets that can normally be converted to cash in less than one year, including cash and cash equivalents, short-term investments, accounts receivable, contracts and grants receivable, inventories, prepaid expenses and the current portion of pledges receivable.

Investments used for current operations are classified as *Short-term investments*, which primarily includes the Corporation's Corporate Pool. Short-term investments increased \$10.2 million or 20.6% from the prior year primarily driven by \$14.6 million in investment income recorded in the Corporate Pool offset by \$4 million in liquidations from the Corporate Pool during the current year.

Pledges receivable, net represents the portion of pledges receivable expected to be collected within one year and decreased \$2.1 million or 40.0% from the prior year. The decrease in the current portion of pledges receivable relates to the portion of new pledges expected to be collected within one year offset by payments received on new and existing pledges. In the prior year, the Corporation received a pledge for \$2 million to establish a new center with a focus on enhancing the efficacy of organic farming.

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Noncurrent assets consist primarily of restricted cash and cash equivalents related to endowments and charitable gift annuities, pledges receivable not expected to be collected within one year, endowment and other long-term investments and capital assets, net of depreciation. Investments that are restricted for withdrawal or to be used for other than current operations, including endowments and charitable gift annuities, are classified as other long-term investments.

Note receivable, net of \$1.2 million represents draws on the line-of-credit extended from the Corporation to the College of Agriculture, Food, & Environmental Sciences for construction of the JUSTIN and J. LOHR Center for Wine and Viticulture. The line-of-credit requires quarterly interest payments, with all outstanding principal and interest due and payable on the expiration date of the agreement, June 30, 2024.

Pledges receivable, net decreased \$1.9 million or 23.5% from the prior year. As mentioned previously, in the prior year, the Corporation received a pledge for \$2 million to establish a new center with a focus on enhancing the efficacy of organic farming. Pledge amounts expected to be collected within one year are classified as current assets. The increase as a result of new pledges was offset by amounts reclassified to current assets.

Endowment investments increased \$590,000 or 25.4% from the prior year. This increase was primarily driven by investment income recorded to the pool during the current year.

Investments restricted from withdrawal or designated for the acquisition or construction of capital assets are classified as *Other long-term investments*, which primarily includes securities in the Corporation's Internal Fund, OPEB Investment Pool, and charitable gift annuities held for others. Other long-term investments increased \$3.6 million or 10.6% from the prior year, which is consistent with investment income of \$3.8 million recorded over the same period.

Capital assets, net include land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The Corporation held \$23.8 million of non-depreciable assets at June 30, 2021, compared to \$61.9 million at June 30, 2020. Non-depreciable capital assets primarily consist of land and improvements and construction-in-progress. The change in non-depreciable assets during 2020-21 primarily relates to the completion of the new Vista Grande dining facility.

At June 30, 2021, the Corporation held \$53.6 million in depreciable and amortizable assets, net of accumulated depreciation, as compared to \$13.9 million in the prior year. During 2020-21, depreciable capital asset additions of \$1.2 million were offset by depreciable capital asset disposals with a net book value of \$398,000. In addition, construction-in-progress of \$41.9 million was completed and placed in service. During 2020-21, depreciation and amortization expense on existing capital assets totaled \$3.1 million.

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Management's Discussion and Analysis
June 30, 2021 and 2020

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2021 includes contributions made by the Corporation to its pension plan and OPEB plan during 2020-21. In addition, deferred outflows of resources include changes in the net pension liability and net OPEB liability as a result of differences between actual and expected actuarial experience as well as actual and expected earnings on plan investments. Deferred outflows of resources are recognized as expense in future periods. Finally, deferred outflows of resources at June 30, 2021 includes a deferred loss on the refunding of a portion of the Cal State University (CSU) System-Wide Revenue Bonds (SRB) Series 2009A.

Liabilities

Current liabilities, or amounts owed or due within one year, consist of accounts payable, accrued salaries and benefits payable, unearned revenue, sponsored programs receipts over expenditures and other liabilities.

Accounts payable increased \$995,000 or 23.3% from the prior year. Changes in accounts payable are dependent on the timing of expenses incurred and payment made. The June 30, 2021 balance includes accounts payable of \$1.9 million related to the construction of the Baseball Clubhouse Athletics facility.

Accrued salaries and benefits payable increased by \$345,000 or 25.2% from the prior year. The increase is primarily the result of a timing difference. As of June 30, 2021, 13 days were included in accrued salaries and benefits payable as compared to 12 days included as of June 30, 2020. In addition, the balance at June 30, 2020 was reduced by furloughs implemented in response to the economic impact of the Pandemic.

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts. For the year ended June 30, 2021, sponsored programs receipts over expenditures increased \$1.2 million or 40.7% from the prior year. Changes in sponsored programs receipts over expenditures are dependent on the timing of grants and contracts awarded and work performed. In general, contract and grant expenditures increased in Q4 of 2020-21 as compared to Q4 of 2019-20, with the largest increases coming from the federal and not-for-profit sectors.

Noncurrent liabilities consist primarily of long-term debt, deposits held in custody for others (including endowments), the net other postemployment benefit (OPEB) liability, the net pension liability, and charitable gift annuities held for others.

Deposits held in custody for others represents funds held by the Corporation on behalf of other legal entities, including funds held in the Corporation endowment pool. The balance increased \$517,000 or 13.4% from the prior year, primarily driven by the increase in endowment pool assets mentioned previously, which increased by \$590,000 from the prior year.

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The Corporation's *Long-term debt obligation* of \$28.8 million at June 30, 2021 represents a note payable to the CSU, which originated as part of the SRB Series 2009A issuance to partially fund the construction of the Technology Park. During 2016-17, the note payable was amended in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A. On July 1, 2017, the Corporation amended the note payable a second time to partially fund the construction of the new Vista Grande dining facility with California State University Institute Commercial Paper Notes as an interim source of financing. On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. Effective July 1, 2021, the Corporation entered into a fourth amendment to the note payable related to proceeds borrowed from the issuance of the SRB Series 2021A to partially fund the renovation of its central dining facility.

The noncurrent portion of the note payable outstanding as of June 30, 2021 includes bond premiums of \$321,000 and \$3.9 million related to the issuance of the SRB Series 2016A and 2018A, respectively. The Corporation made principal payments in the amounts of \$445,000 on this debt during 2020-21.

The *Net OPEB liability* is related to the Corporation's defined benefit postretirement plan, which provides medical benefits to retirees of the Corporation. The net OPEB liability is measured as the total OPEB liability, less the value of assets in the VEBA trust on that date. The net OPEB liability is measured as of June 30, 2020, using an actuarial valuation as of June 30, 2020. Based on the most recent actuarial report, the total OPEB liability measured as of June 30, 2020 was \$29.3 million and the value of assets in the VEBA trust on that date was \$25.7 million.

The *Net pension liability* is related to the Corporation's defined benefit pension plan. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. Based on the most recent actuarial report, the total pension liability measured as of June 30, 2021 was \$90.7 million and the pension plan's fiduciary net position on that date was \$66.8 million.

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2021 includes changes in the net OPEB liability resulting from changes in actuarial assumptions, as well as differences between actual and expected actuarial experience. Deferred inflows of resources are recognized as expense in future periods.

In 2014-15, the Corporation was gifted the Bartleson Ranch and Conservatory, valued at \$11.3 million, subject to the terms of a life-interest agreement. Deferred inflows of resources of \$11 million are included on the Statement of Net Position at June 30, 2021, to reflect the deferral of income related to this gift until the expiration of the life-interest term.

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Results of Operations

Increase in net position for 2020-21 was \$8.4 million as compared to a decrease in net position of \$3.6 million for 2019-20. The increase for 2020-21 primarily represents the net result of an \$18.9 million operating loss combined with net nonoperating revenues of \$24.8 million and capital grants and gifts of \$2.6 million. Net nonoperating revenues include net investment income of \$17.4 million combined with noncapital gifts of \$5.9 million, interest expense of \$1.1 million, and other net nonoperating revenues of \$2.6 million. As mentioned previously, operating losses are primarily the result of the classification of gifts as nonoperating revenues. A majority of these gifts are meant to support *University programs support* expenses, which are classified as operating expenses. In addition, as mentioned previously, operating losses for 2020-21 were further exacerbated by the economic impact of the Pandemic. The decrease in net position for 2019-20 primarily represents the net result of a \$12.8 million operating loss combined with net nonoperating revenues of \$5.3 million and capital grants and gifts of \$3.9 million. Net nonoperating revenues is comprised of net investment income of \$1.6 million combined with noncapital gifts of \$7.4 million, interest expense of \$1.1 million and other net nonoperating expenses of \$2.6 million.

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Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | Year Ended June 30, | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 |
| Operating revenues: | | | |
| Grants and contracts | \$ 22,330,871 | \$ 23,694,137 | \$ 25,269,903 |
| Sales and services of auxiliary enterprises | 24,033,657 | 31,299,370 | 39,053,188 |
| Fees for services | 7,919,003 | 7,079,257 | 7,489,550 |
| University programs support | 2,348,092 | 3,070,922 | 3,486,703 |
| Conference and workshop revenues | 597,371 | 788,013 | 3,042,516 |
| Other operating revenue | 1,243,368 | 993,515 | 913,575 |
| Total operating revenues | <u>58,472,362</u> | <u>66,925,214</u> | <u>79,255,435</u> |
| Operating expenses: | | | |
| Corporation administration | 5,569,882 | 5,967,302 | 5,459,598 |
| Contract and grant expense | 23,636,121 | 23,887,340 | 24,571,542 |
| Auxiliary activities cost of sales | 7,049,363 | 8,695,698 | 11,672,421 |
| Auxiliary activities expense | 17,818,221 | 19,310,313 | 20,505,267 |
| University programs support | 17,280,954 | 16,261,943 | 21,320,259 |
| Sponsored program administration | 1,356,516 | 1,310,297 | 1,245,260 |
| Depreciation and amortization | 3,020,646 | 1,850,429 | 1,785,478 |
| Other operating expenses | 1,683,430 | 2,429,709 | 2,347,659 |
| Total operating expense | <u>77,415,133</u> | <u>79,713,031</u> | <u>88,907,484</u> |
| Operating loss | <u>(18,942,771)</u> | <u>(12,787,817)</u> | <u>(9,652,049)</u> |
| Nonoperating revenues (expenses): | | | |
| Gifts, noncapital | 5,909,117 | 7,360,230 | 9,777,570 |
| Investment income, net | 17,387,643 | 1,646,372 | 4,640,630 |
| Interest expense | (1,085,863) | (1,111,164) | (1,359,323) |
| Other nonoperating revenues (expenses), net | 2,558,197 | (2,597,022) | 7,906,056 |
| Total nonoperating revenues (expenses) | <u>24,769,094</u> | <u>5,298,416</u> | <u>20,964,933</u> |
| Other changes in net position: | | | |
| Capital grants and gifts | <u>2,587,017</u> | <u>3,931,479</u> | <u>3,779,523</u> |
| Increase (decrease) in net position | <u>8,413,340</u> | <u>(3,557,922)</u> | <u>15,092,407</u> |
| Beginning net position | <u>121,779,328</u> | <u>125,337,250</u> | <u>110,244,843</u> |
| Ending net position | <u>\$ 130,192,668</u> | <u>\$ 121,779,328</u> | <u>\$ 125,337,250</u> |

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June 30, 2021 and 2020

Operating revenues decreased \$8.5 million or 12.6% in 2020-21 as compared to 2019-20. The change is driven by a \$7.3million decrease in *Sales and services of auxiliary enterprises*. This decrease primarily relates to Campus Dining operations, which were significantly impacted by the University's response to the Pandemic. In response to the Pandemic, the University made a decision to provide the 2020-21 academic year virtually. As a result, dining plan sales were significantly lower than prior years, as were sales from catering events.

In addition to the decrease in sales and services of auxiliary enterprises, *Grants and Contracts* decreased \$1.4 million, driven by decreases in funding from federal, state, and nongovernmental sectors. *University programs support* also decreased \$723,000 or 23.5% from the prior year. Included in university programs support are ticket sales for performances presented by Cal Poly Arts. In response to the Pandemic, the University made a decision to cancel or postpone all in-person Cal Poly Arts performances for the academic year, in accordance with State government guidelines.

Offsetting the decreases in operating revenues mentioned above, *Fees for services* increased \$840,000, or 11.9% in 2020-21 as compared to 2019-20. The change is driven by the fees collected for the operation of the saliva and wastewater SARS Cov-2 surveillance development and testing center. Finally, *Other operating revenues* increased \$250,000 or 25.1% from the prior year. The increase is primarily driven by revenues received to fund Strategic Research Initiative operating expenses along with amortization of the signing bonus received related to the management contract for Campus Dining operations.

Total operating revenues decreased \$12.3 million or 15.6% in 2019-20 as compared to 2018-19. The change is driven by a \$7.8 million decrease in *Sales and services of auxiliary enterprises*. This decrease primarily relates to Campus Dining operations, which was impacted significantly by the University's response to the Pandemic. In response to the Pandemic, the University made a decision to provide the Spring 2020 academic quarter virtually. Students were encouraged to shelter-at-home, where possible. As a result, the Spring quarter freshman dining plan allotment was refunded to a majority of students and all catering events were canceled for the remainder of the academic year.

In addition to the decrease in sales and services of auxiliary enterprises during 2019-20 was a decrease in *Conference and workshop revenues* of \$2.3 million or 74.1% from the prior year. In response to the Pandemic, the University made a decision to cancel or postpone all conferences and workshops with attendance of 10 or more people until State government guidelines allow otherwise. *Grants and Contracts* also decreased \$1.6 million, driven by decreases in funding from all sectors, but primarily the federal and nongovernment sectors. Finally, *University programs support* decreased \$416,000 or 11.9% from the prior year. As mentioned previously, included in university programs support are ticket sales from performances presented by Cal Poly Arts, which were cancelled for the 2020 Spring and Summer academic quarters.

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

Operating expenses decreased \$2.3 million or 2.9% in 2020-21 as compared to 2019-20. The change includes a \$1.6 million decrease in *Auxiliary activities cost of sales* and a \$1.5 million decrease in *Auxiliary activities expense*. The decrease in both categories primarily relates to Campus Dining operations, which follows the reduction in revenues previously mentioned. In addition, *Other operating expenses* decreased \$746,000, primarily driven by a decrease in net pension expense, which was offset by an increase in unemployment insurance claims.

Offsetting the decreases in operating expenses mentioned above, *Depreciation and amortization* increased \$1.2 million, primarily driven by depreciation of the new Vista Grande Dining facility, which was placed in service at the beginning of the 2020-21 academic year.

In 2019-20, total operating expenses decreased \$9.2 million or 10.3% in 2018-19 as compared to 2018-19. The change includes a \$3 million decrease in *Auxiliary activities cost of sales* and a \$1.2 million decrease in *Auxiliary activities expense*. The decrease in both categories primarily relates to Campus Dining operations, which follows the similar reduction in revenues.

In addition, *University program support* expenses decreased \$5.1 million in 2019-20 compared to the prior year. The change in 2019-20 includes a \$2 million decrease in conference and workshop expenditures, which follows the reduction in revenues previously mentioned. The change also includes a reduction in expenditures for athletic facility projects, including \$2.2 million towards the baseball clubhouse project.

Net nonoperating revenues (expenses) consists primarily of noncapital gifts, investment income, and interest expense on CSU SRBs.

Gifts, noncapital decreased \$1.5 million or 19.7% in 2020-21 as compared to 2019-20, primarily as a result of a decrease in pledges received on behalf of athletics. Noncapital gifts decreased \$2.4 million or 24.7% in 2019-20 as compared to 2018-19. During 2018-19, a \$3 million pledge was awarded to the Corporation's Strawberry Center from the California Strawberry Commission. Variances in gift income are due to the varying nature of contributions from year to year, which depends on a number of factors, both internal and external.

Investment income, net increased \$15.7 million in 2020-21 to \$17.4 million as compared to \$1.6 million in 2019-20. Net investment income is primarily the result of \$1.8 million in interest and dividends combined with \$16.1 million in market value gains offset by \$155,000 in investment management fees. In 2019-20, net investment income was primarily the result of \$3.2 million in interest and dividends combined with \$1.2 million in market value gains offset by \$143,000 in investment management fees.

Interest expense represents interest recorded on the long-term debt obligation. As mentioned previously, the Corporation's long-term debt obligation of \$28.8 million at June 30, 2021 represents a note payable, which originated as part of the SRB Series 2009A bond issuance to partially fund the construction of the Technology Park. During 2018-19, the note payable was amended in connection with the issuance of the SRB Series 2018A to partially fund the construction of the new Vista Grande dining facility.

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2021 and 2020

Other nonoperating revenues, net increased \$5.2 million in 2020-21 as compared to 2019-2020. During 2020-21, the Corporation received \$5 million in insurance proceeds to cover losses incurred at Swanton Pacific Ranch resulting from CZU Lightning Complex fire in August 2020. This was offset by the write-off of various Swanton Ranch fixed assets. In addition, during 2020-21, the Corporation transferred various completed capital projects to the University, including the Equine Center Horse Shelter with a book value of \$280,000, the Golf Clubhouse with a book value of \$1.6 million, and the Batter's Eye with a book value of \$62,000.

Other nonoperating revenues, net decreased \$10.5 million in 2019-20 as compared to 2018-19. During 2018-19, the Corporation completed the sale of the Valencia Creek property (617 acres of property located in Santa Cruz County), resulting in a gain of \$7.3 million, which was included as part of other nonoperating revenues. In addition, during 2019-20, the Corporation transferred the completed beach volleyball court facility to the University, which had a book value of approximately \$3.3 million.

Other changes in net position consists of *capital grants and gifts*, which decreased by \$1.3 million or 34.2% in 2020-21 as compared to the prior year. As previously mentioned, during 2019-20, a pledge for \$2 million was received to establish a new center with a focus on enhancing the efficacy of organic farming. Variances in capital grants and gifts are due to the varying nature of contribution revenue from year to year, which depends on a number of factors, both internal and external.

Currently Known Facts Impacting Future Periods

The Corporation has begun the renovation of its central facility for its campus dining operations. Renovation of this facility is expected to continue in fiscal year 2021-22. A portion of this project is financed with proceeds from the issuance of CSU SRBs. Completion of the project will be accompanied by significant capital outlay expenditures. These expenditures are expected to have a material impact on the Corporation's unrestricted net position.

The on-going Pandemic has created instability within the higher education industry. It has also created broad economic uncertainty. The University plans to provide in-person instruction for the 2021-22 academic year. However, measuring the impact of the Pandemic on future periods continues to be difficult. It continues to have the potential to create a significant disruption in Corporation operations, capital projects, and cash flows. Management continues to monitor the impact of the Pandemic and make organizational adjustments, when appropriate.

Financial Statements

Cal Poly Corporation
Statements of Net Position
June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 23,610,696 | \$ 23,503,043 |
| Short-term investments | 59,685,874 | 49,502,544 |
| Accounts receivable, net | 1,821,547 | 2,043,667 |
| Contracts and grants receivable, net | 5,570,576 | 6,066,919 |
| Pledges receivable, net | 3,184,851 | 5,310,081 |
| Inventories | 1,216,206 | 1,373,564 |
| Prepaid expenses and other current assets | 585,043 | 580,100 |
| Total current assets | 95,674,793 | 88,379,918 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 168,809 | 37,726 |
| Accounts receivable, net | 14,743 | 18,877 |
| Note receivable, net | 1,194,661 | |
| Pledges receivable, net | 6,120,877 | 8,004,112 |
| Endowment investments | 2,910,050 | 2,320,535 |
| Other long-term investments | 37,844,922 | 34,222,320 |
| Capital assets, net | 77,369,645 | 75,728,437 |
| Other assets | 323,000 | 323,000 |
| Total noncurrent assets | 125,946,707 | 120,655,007 |
| Total assets | 221,621,500 | 209,034,925 |
| Deferred Outflows of Resources | | |
| Unamortized loss on refunding | 212,178 | 227,251 |
| Related to net other postemployment benefit liability | 1,466,981 | 473,199 |
| Related to net pension liability | 3,336,491 | 3,064,552 |
| Total deferred outflows of resources | 5,015,650 | 3,765,002 |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation
Statements of Net Position
June 30, 2021 and 2020
Page 2

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,268,294 | \$ 4,273,321 |
| Accrued salaries and benefits payable | 1,714,017 | 1,369,343 |
| Accrued compensated absences | 777,598 | 794,218 |
| Unearned revenue | 6,587,994 | 6,459,190 |
| Sponsored programs receipts over expenditures | 4,301,957 | 3,057,397 |
| Long-term debt obligation | 470,000 | 445,000 |
| Self-insurance claims liability | 45,000 | 207,616 |
| Total current liabilities | <u>19,164,860</u> | <u>16,606,085</u> |
| Noncurrent liabilities: | | |
| Accrued compensated absences, net of current | 170,373 | 146,661 |
| Long-term debt obligation | 28,376,000 | 29,010,978 |
| Deposits held in custody for others | 4,362,001 | 3,844,966 |
| Net other postemployment benefit liability | 3,594,037 | 3,779,903 |
| Net pension liability | 23,865,605 | 22,020,074 |
| Charitable gift annuities held for others liability | 949,213 | 764,150 |
| Total noncurrent liabilities | <u>61,317,229</u> | <u>59,566,732</u> |
| Total liabilities | <u>80,482,089</u> | <u>76,172,817</u> |
| Deferred Inflows of Resources | | |
| Related to life-interest in real estate | 11,027,000 | 11,069,800 |
| Related to net other postemployment benefit liability | 4,935,393 | 3,432,393 |
| Related to net pension liability | | 345,589 |
| Total deferred inflows of resources | <u>15,962,393</u> | <u>14,847,782</u> |
| Net Position | | |
| Net investment in capital assets | 37,708,825 | 35,562,572 |
| Restricted for: | | |
| Expendable: | | |
| Research | 130,050 | 184,479 |
| Capital projects | 374,807 | 2,751,539 |
| Instruction | 5,785,704 | 6,134,428 |
| Academic support | 787,406 | 601,528 |
| Student services | 4,067,568 | 4,293,093 |
| Other | 5,005,221 | 8,399,676 |
| Unrestricted | <u>76,333,087</u> | <u>63,852,013</u> |
| Total net position | <u>\$ 130,192,668</u> | <u>\$ 121,779,328</u> |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating revenues: | | |
| Grants and contracts, noncapital: | | |
| Federal | \$ 13,269,752 | \$ 14,171,937 |
| State | 4,461,503 | 4,597,454 |
| Local | 725,352 | 472,395 |
| Nongovernmental | 3,874,264 | 4,452,351 |
| Sales and services of auxiliary enterprises | 24,033,657 | 31,299,370 |
| Fees for services | 7,919,003 | 7,079,257 |
| University programs support | 2,348,092 | 3,070,922 |
| Conference and workshop revenues | 597,371 | 788,013 |
| Other operating revenues | 1,243,368 | 993,515 |
| Total operating revenues | <u>58,472,362</u> | <u>66,925,214</u> |
| Operating expenses: | | |
| Corporation administration | 5,569,882 | 5,967,302 |
| Contract and grant expenses | 23,636,121 | 23,887,340 |
| Auxiliary activities cost of sales | 7,049,363 | 8,695,698 |
| Auxiliary activities expenses | 17,818,221 | 19,310,313 |
| University programs support: | | |
| Conference and workshops expense | 820,324 | 635,543 |
| Public service support | 5,727,792 | 6,944,034 |
| Institutional support | 3,629,581 | 2,779,191 |
| Academic support | 1,352,496 | 2,005,592 |
| Student services | 866,729 | 381,991 |
| Other University programs | 4,884,032 | 3,515,592 |
| Sponsored programs administration | 1,356,516 | 1,310,297 |
| Depreciation and amortization | 3,020,646 | 1,850,429 |
| Other operating expenses | 1,683,430 | 2,429,709 |
| Total operating expenses | <u>77,415,133</u> | <u>79,713,031</u> |
| Operating loss | <u>(18,942,771)</u> | <u>(12,787,817)</u> |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2021 and 2020

Page 2

| | <u>2021</u> | <u>2020</u> |
|---|------------------------------|------------------------------|
| Nonoperating revenues (expenses): | | |
| Gifts, noncapital | \$ 5,909,117 | \$ 7,360,230 |
| Investment gain, net | 17,387,643 | 1,646,372 |
| Interest expense | (1,085,863) | (1,111,164) |
| Other nonoperating revenues (expenses), net | <u>2,558,197</u> | <u>(2,597,022)</u> |
| Total nonoperating revenues (expenses) | <u>24,769,094</u> | <u>5,298,416</u> |
| Other changes in net position: | | |
| Capital grants and gifts | <u>2,587,017</u> | <u>3,931,479</u> |
| Total other changes in net position | <u>2,587,017</u> | <u>3,931,479</u> |
| Increase (decrease) in net position | <u>8,413,340</u> | <u>(3,557,922)</u> |
| Net position - beginning of year | <u>121,779,328</u> | <u>125,337,250</u> |
| Net position - end of year | <u><u>\$ 130,192,668</u></u> | <u><u>\$ 121,779,328</u></u> |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Receipts from grants and contracts | \$ 23,274,929 | \$ 22,057,874 |
| Receipts from sales and services of auxiliary enterprises | 23,757,735 | 32,573,822 |
| Receipts from fees for services | 7,919,003 | 7,079,257 |
| Receipts from University programs | 2,348,092 | 3,070,922 |
| Payments to vendors | (16,147,107) | (12,499,197) |
| Payments for employees | (33,683,405) | (36,219,239) |
| Payments to University, net | (16,311,401) | (28,777,411) |
| Payments to Foundation, net | (365,968) | 256,651 |
| Payments to VEBA Trust | (203,725) | (235,568) |
| Other receipts | 1,247,502 | 1,005,745 |
| Other payments | (4,941) | (104,745) |
| Net cash used in operating activities | (8,169,286) | (11,791,889) |
| Cash flows from noncapital financing activities: | | |
| Cash contributions received | 8,635,267 | 3,853,076 |
| Cash received for charitable gift annuities held for others | 250,000 | 15,246 |
| Distributions to annuity beneficiaries | (100,981) | (98,524) |
| Fees and expenses of charitable gift annuities held for others | (8,667) | (7,508) |
| Foundation support | 442,311 | 442,311 |
| Change in depository accounts | 517,035 | (93,503) |
| Other payments | (371,717) | |
| Net cash provided by noncapital financing activities | 9,363,248 | 4,111,098 |
| Cash flows from capital and related financing activities: | | |
| Capital grants and gifts | 3,633,898 | 5,124,097 |
| Acquisition of capital assets | (9,498,486) | (14,800,131) |
| Insurance proceeds | 5,000,000 | |
| Interest paid on long-term debt obligation | (1,239,476) | (1,260,627) |
| Defeasance of long-term obligation | (445,000) | (425,000) |
| Net cash used in capital and related financing activities | (2,549,064) | (11,361,661) |
| Cash flows from investing activities: | | |
| Proceeds from sale and maturities of investments | 14,664,921 | 7,673,004 |
| Purchase of investments | (12,592,157) | (9,957,841) |
| Investment income proceeds | 715,735 | 2,728,042 |
| Note receivable issuance | (1,194,661) | |
| Net cash provided by investing activities | 1,593,838 | 443,205 |
| Net increase (decrease) in cash | 238,736 | (18,599,247) |
| Cash and cash equivalents - beginning of year | 23,540,769 | 42,140,016 |
| Cash and cash equivalents - end of year | \$ 23,779,505 | \$ 23,540,769 |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

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| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|------------------------|
| Reconciliation of cash and cash equivalents to Statements of Net Position: | | |
| Cash and cash equivalents | \$ 23,610,696 | \$ 23,503,043 |
| Restricted cash and cash equivalents | 168,809 | 37,726 |
| | <u>\$ 23,779,505</u> | <u>\$ 23,540,769</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (18,942,771) | \$ (12,787,817) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 3,020,646 | 1,850,429 |
| Bad debt | 6,187 | 13,524 |
| Loss on disposal of assets | 29,107 | 51,550 |
| Other noncash expenses | 476,990 | 513,425 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 2,975,590 | (4,692,679) |
| Inventories | 157,358 | (302,409) |
| Prepaid expenses and other current assets | (4,943) | (104,745) |
| Accounts payable | 3,069,698 | 30,195 |
| Accounts payable - University | (2,080,351) | 1,822,733 |
| Accounts payable - Foundation | 9,334 | (24,021) |
| Accrued salaries and benefits payable | 344,674 | (503,136) |
| Accrued compensated absences | 7,092 | 199,835 |
| Self-insurance claims liability | (162,616) | 323,494 |
| Unearned revenue | 128,804 | (294,361) |
| Grants refundable | 1,244,560 | (356,715) |
| Net OPEB liability | (185,866) | 789,188 |
| Net pension liability | 1,845,531 | 1,604,118 |
| Deferred outflow and inflows | (108,310) | 75,503 |
| | <u>\$ (8,169,286)</u> | <u>\$ (11,791,889)</u> |
| Net cash used in operating activities | | |
| Supplemental disclosures of cash flow information: | | |
| Contributions of investments | \$ 283,339 | \$ 349,521 |
| Other noncash contributions | 1,273,835 | 1,413,989 |
| Increase (decrease) in fair value of investments | 16,751,552 | (1,277,102) |
| Acquisition of capital assets from proceeds of debt | | 4,338,651 |
| Amortization of net bond premium | 164,978 | 164,978 |
| Amortization of loss on debt refunding | 15,073 | 15,073 |
| Interest costs paid from proceeds of debt | | 3,409 |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation VEBA Trust – Fiduciary Activity
Statements of Plan Net Position
June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------|---------------|
| Assets | | |
| Restricted cash and cash equivalents | \$ 220,435 | \$ 281,083 |
| Investments | | |
| Equity | 17,366,246 | 14,275,941 |
| Fixed income | 13,031,151 | 11,110,467 |
| Total investments | 30,397,397 | 25,386,408 |
| Accounts receivable | 19,056 | |
| Total assets | 30,636,888 | 25,667,491 |
| Liabilities | | |
| Accounts payable | 28,599 | 14,030 |
| Net position restricted for other postemployment benefits | \$ 30,608,289 | \$ 25,653,461 |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation VEBA Trust – Fiduciary Activity
Statements of Changes in Plan Net Position
Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Additions | | |
| Contributions: | | |
| Employer contributions | \$ 478,753 | \$ 451,320 |
| Total contributions | <u>478,753</u> | <u>451,320</u> |
| Investment income: | | |
| Investment earnings and dividends, net of fees | 542,646 | 760,177 |
| Net appreciation (depreciation) in fair value of mutual fund investments | <u>5,394,551</u> | <u>(259,349)</u> |
| Total additions | <u>6,415,950</u> | <u>952,148</u> |
| Deductions | | |
| Benefit payments | 1,431,612 | 1,501,317 |
| Administration expenses | <u>29,510</u> | <u>9,054</u> |
| Total deductions | <u>1,461,122</u> | <u>1,510,371</u> |
| Net increase (decrease) in net position | 4,954,828 | (558,223) |
| Net position - beginning of period | <u>25,653,461</u> | <u>26,211,684</u> |
| Net position - end of period | <u>\$ 30,608,289</u> | <u>\$ 25,653,461</u> |

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation
Notes to Financial Statements
June 30, 2021 and 2020

Note 1: Organization

The Cal Poly Corporation (Corporation) is a nonprofit auxiliary organization to the California Polytechnic State University, San Luis Obispo (University). The Corporation is a self-supporting entity which provides the University with certain services and facilities that are an integral part of the educational program of the University. The University has delegated authority for these activities to the auxiliary in order to mitigate risk to the University or because the activities cannot be financially supported by the state government by law or can be more efficiently operated through the auxiliary. Essentially, all revenues, and the realization of certain assets, are dependent upon the continuation of the Corporation's status as an auxiliary organization to the University. The Corporation was originally incorporated as California Polytechnic State University Foundation and legally changed its name to Cal Poly Corporation in 2006.

In February 2012, the Corporation accepted all of the assets, liabilities and activities of Cal Poly Housing Corporation, a nonprofit auxiliary organization to the University organized to develop and maintain affordable housing and related facilities for University faculty and staff.

Note 2: Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying financial statements present the accounts of the Corporation, including the endowment and campus program accounts held for the benefit of the University and related organizations. The Corporation is a governmental organization under accounting principles generally accepted in the United States of America (GAAP) and is also a component unit of the University, a public university under the California State University (CSU) system. The Corporation has chosen to use the reporting model for special purpose governments engaged only in business-type activities consistent with guidance of the CSU.

Basis of Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, gifts, and similar items are recognized as soon as all eligibility requirements have been met. The Corporation complies with all applicable GASB pronouncements.

Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The Corporation considers assets and liabilities that can reasonably be expected, as part of its normal business operations, to be converted to cash or liquidated within 12 months of the dates of the Statements of Net Position to be current. All other assets and liabilities are considered to be noncurrent.

Note 2: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Cash and Cash Equivalents

The Corporation considers all unrestricted highly-liquid investments with an initial original maturity of three months or less to be cash equivalents for purposes of the Statements of Cash Flows. Cash equivalents held by brokers at year-end pending long-term reinvestment are considered investments.

Investments

Investment securities are reported at fair value. Marketable securities' fair values are based on quoted market prices from independent sources. Investments in real estate are initially recorded at fair value established by independent appraisals. In subsequent periods, real estate is evaluated for impairment based on market conditions, market quotes or updated appraisals.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments. All endowment and split-interest trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Corporation's ability to use these investments.

Investment income and endowment income consist of realized and unrealized gains and losses on investments, interest and dividends. The amounts are presented net of investment management and custodian fees.

Accounts Receivable

The Corporation has accounts receivable from the University, University organizations and students and external organizations in conjunction with the services it provides as an auxiliary organization. Accounts receivable are also recorded from contract and grant sponsors, generally federal, state and local governments, nonprofit organizations and corporate sponsors. The Corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. The Corporation maintains a minimal allowance for doubtful accounts for these

Note 2: Summary of Significant Accounting Policies (Continued)

receivables based upon management's estimate of their collectability. The allowance for doubtful accounts for accounts receivable was \$6,000 and \$13,532 at June 30, 2021 and 2020, respectively.

Pledges Receivable

Pledges receivable are unconditional promises to make future payments to the Corporation. Pledges receivable are recognized as gift revenue in the period pledged when all applicable eligibility requirements are met. Pledge payments promised to be made in future years are recorded at the present value of future cash flows net of an allowance for doubtful accounts of \$1,217,830 and \$1,304,080 at June 30, 2021 and 2020, respectively. The discount on pledges receivable is computed using the five-year Treasury note rate applicable in the year pledged. In subsequent years, this discount is accreted and recorded as additional gift revenue.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

Note Receivable

The Corporation has a note receivable from the University, which represents a line-of-credit extended from the Corporation to the College of Agriculture, Food, & Environmental Sciences for construction of the JUSTIN and J. LOHR Center for Wine and Viticulture. The line-of-credit requires quarterly interest payments, with all outstanding principal and interest due and payable on the expiration date of the agreement, June 30, 2024.

Inventories

Inventories are valued according to various methods, which approximate the lower of cost (first-in, first-out method) or market as follows:

Breeding stock - actual cost less accumulated depreciation

Other livestock - unit value livestock method

Foodstuff - moving average cost

Other inventories - moving average cost or first-in, first-out

Endowments

The Corporation holds 9 individual endowments for others. These endowments are managed by the Corporation to be invested long-term and the related income either expended for support of University programs, including the Alumni Association and Associated Students, Inc., or related external organizations. Additions to endowments held for others (principally the return on investment of fund assets) are recorded as liabilities as opposed to revenues.

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, consisting of land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets, with an estimated useful life greater than one year, are recorded at cost at the date of acquisition. Capital assets with a unit acquisition cost of less than \$5,000 are generally not capitalized. Capital assets acquired as a group with individual unit acquisition costs less than \$5,000 may be capitalized if they are considered collectively material. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are generally as follows:

| | |
|------------------------|--------------|
| Buildings | 30 years |
| Leasehold improvements | 5 - 20 years |
| Equipment | 3 - 8 years |
| Intangible assets | 3 - 5 years |

Capital assets acquired through federal and state grants and contracts where the government retains a reversionary interest are not capitalized, or depreciated, until title passes to the Corporation.

Deferred Inflows/Outflows of Resources

The Corporation records all inflows and outflows of resources that are not assets and liabilities and are related to future periods as deferred inflows or outflows of resources.

Compensated Absences

The Corporation accrues leave for employees at rates based upon length of service and job classification. Accrued balances are categorized as current and noncurrent based upon the criteria discussed above.

Unearned Revenue

The Corporation sells dining plan contracts to University students on a prepaid basis. The amount of the dining plan contracts that has not been earned is recorded as unearned revenue. Unearned revenue also includes unearned amounts for conference deposits.

Note 2: Summary of Significant Accounting Policies (Continued)

Sponsored Programs Receipts Over Expenditures

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts and not related to time constraints.

Actuarial Trust Liabilities and Change in Value of Charitable Gift Annuities Held for Others

Actuarial trust liabilities include charitable gift annuities held for others based on the present value of future payments calculated using IRS life expectancy tables or California Department of Insurance standard annuity tables and discounted at the Treasury note rate in effect for a comparable period of time at the date of the gift. Change in value of charitable gift annuities is recorded for any changes in actuarial assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefits Plan) and additions to/deductions from the Benefits Plan's fiduciary net position have been determined on the same basis as they are reported by the Benefits Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Corporation's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The Corporation's net position is classified into the following categories for accounting and reporting purposes:

Net investment in capital assets:

This category includes capital assets, net of accumulated depreciation and amortization, less the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, including any related deferred outflows or inflows of resources.

Note 2: Summary of Significant Accounting Policies (Continued)

Restricted – expendable:

This category relates to contributions restricted by donors to be expended for specific purposes in support of the University.

Unrestricted:

This category includes the portion of net position not subject to donor-imposed restrictions, which Corporation management may designate for specific purposes. The Corporation first expends restricted-expendable assets, when available, prior to utilizing unrestricted funds. A significant portion of unrestricted net position is currently designated for capital projects.

Classification of Revenues and Expenses

The Corporation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Corporation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core mission of the Corporation are mandated to be recorded as nonoperating revenues. Nonoperating revenues and expenses include the Corporation's net investment income, private gifts for other than capital purposes, interest expense on capital related debt and gain or loss on disposal of capital assets. Capital grants and gifts and extraordinary and nonrecurring events are classified as other changes in net position.

Donated Assets

Donated materials, livestock, property and equipment, and other noncash donations of greater than \$5,000 and all marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

The Corporation records the amount of contributed services, specialized skills that would typically be purchased if not provided by donation, as revenue in the period received. For the years ended June 30, 2021 and 2020, grants and contracts revenue included \$796,845 and \$844,672, respectively, of assigned time of project directors paid by the University.

Note 2: Summary of Significant Accounting Policies (Continued)

Donated Collection Items

The Corporation maintains an art collection acquired by donation which has not been recorded in the financial statements, as the collection is held for public exhibition or education; the collection is protected, kept unencumbered, cared for, and preserved. The value of the collection was estimated at \$1,400,000 at June 30, 2021 and 2020.

Fair Value Measurements

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
- Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2021, the application of valuation techniques applied to the Corporation's financial statements has been consistent.

Income Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Corporation follows accounting standards generally accepted in the United States of America, which requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2021, management has considered its tax positions and believes that the Corporation did not maintain any tax positions that did not meet the "more likely than not" threshold. The

Note 2: Summary of Significant Accounting Policies (Continued)

Corporation does not expect any material changes through June 30, 2022. As noted above, the Corporation does not currently pay income taxes. However, the Corporation remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. No income taxes have been recorded in the accompanying financial statements since management believes the Corporation has no taxable unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures as of the date of the financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2019. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The provisions of Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Management began applying the provisions of Statement No. 84 for the Corporation's June 30, 2021 financial statements. The Corporation sponsors a defined benefit postretirement plan, the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefit Plan). The Benefit Plan is a single employer defined OPEB plan administered through the Cal Poly Corporation Voluntary Employees' Beneficiary Association (VEBA) Trust. The Cal Poly Corporation VEBA Trust (Trust) is administered by the Cal Poly Corporation Benefits Committee (Trust Administrator). Members of the Cal Poly Corporation Benefits Committee are approved by the Corporation Executive Director and the Chair of the Corporation's Board of Directors. Management has determined that the Trust is a fiduciary activity of the Corporation. As such, the Trust Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position are presented as part of the Corporation's basic financial statements. Detailed information about the Benefit Plan's fiduciary net position is available in the separately issued Trust financial

Cal Poly Corporation

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Note 2: Summary of Significant Accounting Policies (Continued)

statements. Copies of the Trust annual financial report may be obtained from the Cal Poly Corporation Business Office at One Grand Avenue, San Luis Obispo, CA 93407.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for reporting periods beginning after June 15, 2019. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020 with earlier application encouraged. Management began applying the provisions of Statement No. 89 for the Corporation's June 30, 2018 financial statements. Interest cost incurred for capital assets currently under construction is not capitalized as part of the historical cost of the asset.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for reporting periods beginning after December 15, 2021 with earlier

Note 2: Summary of Significant Accounting Policies (Continued)

application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of Statement No. 92 are generally effective for reporting periods beginning after June 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions of Statement No. 93 are generally effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements, as well as availability payment arrangements. The provisions of Statement No. 94 are generally effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Additionally, in May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of Statement No. 96 are generally effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

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Notes to Financial Statements

June 30, 2021 and 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

In June 2020, GASB issued Statement No 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Statement No. 97 will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The provisions of Statement 96 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Note 3: Cash and Cash Equivalents

The Corporation maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account title. With a portion of their funds, the Corporation also participates in a deposit-placement money market program designed to allocate funds amongst member institutions in such a way that no one bank holds more than \$250,000 in Corporation assets, meaning that all the assets placed with a particular program are fully FDIC insured. At June 30, 2021, the Corporation had uninsured cash deposits totaling \$8,313,847 held principally at Wells Fargo Bank.

At June 30, 2021 and 2020, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|------------------|
| Endowments | \$ 109,957 | \$ 8,106 |
| Split interest trusts | 58,852 | 29,620 |
| Total restricted cash and cash equivalents | <u>\$ 168,809</u> | <u>\$ 37,726</u> |

Note 4: Investments

At June 30, 2021 and 2020, investments were classified in the accompanying financial statements as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-----------------------|----------------------|
| Short-term investments | \$ 59,685,874 | \$ 49,502,544 |
| Endowment investments | 2,910,050 | 2,320,535 |
| Other long-term investments | 37,844,922 | 34,222,320 |
| Total investments | <u>\$ 100,440,846</u> | <u>\$ 86,045,399</u> |

At June 30, 2021 and 2020, other long-term investments included \$2,434,572 and \$1,797,377, respectively, representing assets held for charitable gift annuities held for others.

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Notes to Financial Statements
June 30, 2021 and 2020
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Note 4: Investments (Continued)

At June 30, 2021, investments comprised the following:

| | 2021 | | |
|--|----------------------|----------------------|-----------------------|
| | Current | Noncurrent | Total |
| Equity securities | \$ 204,990 | \$ | \$ 204,990 |
| Fixed income securities | | 426,316 | 426,316 |
| Real estate | | 80,000 | 80,000 |
| Mutual funds: | | | |
| Equity funds | 41,650,276 | 11,532,066 | 53,182,342 |
| Bond funds | 17,047,669 | 28,662,921 | 45,710,590 |
| Exchange traded funds | 39,345 | | 39,345 |
| Other investments: | | | |
| Cash and interest receivable pending long-term investment | 743,594 | 49,446 | 793,040 |
| Agriculture related retains | | 4,223 | 4,223 |
| Total investments | <u>\$ 59,685,874</u> | <u>\$ 40,754,972</u> | <u>\$ 100,440,846</u> |

At June 30, 2020, investments comprised the following:

| | 2020 | | |
|--|----------------------|----------------------|----------------------|
| | Current | Noncurrent | Total |
| Equity securities | \$ 291,009 | \$ | \$ 291,009 |
| Fixed income securities | | 446,344 | 446,344 |
| Real estate | | 80,000 | 80,000 |
| Mutual funds: | | | |
| Equity funds | 34,252,271 | 8,679,313 | 42,931,584 |
| Bond funds | 14,431,636 | 27,281,637 | 41,713,273 |
| Exchange traded funds | 101,561 | | 101,561 |
| Other investments: | | | |
| Cash and interest receivable pending long-term investment | 426,067 | 51,338 | 477,405 |
| Agriculture related retains | | 4,223 | 4,223 |
| Total investments | <u>\$ 49,502,544</u> | <u>\$ 36,542,855</u> | <u>\$ 86,045,399</u> |

Investment Policies

The Corporation's Board of Directors (Board) oversees the management of its investments and establishes investment policy. The Board has delegated the implementation of the investment policy to staff with the concurrence of its Investment Advisory Committee. The Investment Advisory Committee advises on investment guidelines and selection of investment managers. The Corporation prohibits investments that jeopardize the safety of principal concept or

Cal Poly Corporation

Notes to Financial Statements

June 30, 2021 and 2020

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Note 4: Investments (Continued)

non-profit status of the Corporation. The Board of Trustees of the CSU adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investments. The Corporation's Board recognizes and accepts its social responsibility with respect to the investment of funds.

The Corporation manages investments consistent with the designation and use of the assets. Investments recommended by the Investment Advisory Committee include high quality, readily marketable securities.

The goal of the fixed income securities is to limit risk while outperforming what would otherwise be available in cash or money market products. The fixed income portion of the investments may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S. government, investment grade, non-investment grade and foreign bonds. The fixed income portfolio is measured against the Barclays Capital Intermediate U.S. Government/Credit, Merrill Lynch 1 – 3 Year U.S. Treasuries, Citi 3-Month Treasury Bill and Citi 1-Month CD.

The equity portion of the investments may include both domestic and international equities, including foreign currency denominated, common and preferred stocks and actively managed and passive (index) strategies. The equity portion is measured against the Standard & Poor's 500 (S&P 500), S&P 500 Developed--Excluding U.S. BMI Property, Russell 2000, MSCI Europe, Australasia, and Far East (EAFE), MSCI EAFE Small Cap, MSCI EAFE Emerging Markets, FTSE NAREIT Equity and Dow Jones UBS Commodity Index.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both the equity and fixed income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings, performance and market liquidity, while fixed income securities are sensitive to credit risks and changes in interest rates.

Equity Securities Risk:

Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised \$53,426,677, or 53%, of the total investments of the Corporation at June 30, 2021. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchange rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Note 4: Investments (Continued)

Credit Risk:

Fixed income securities are subject to credit risk, which is the chance that a bond issue will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following schedule of credit risk summarizes the fair value of the fixed income securities subject to credit risk. The Corporation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations, including Standard and Poor's or Moody's Investor Services, for certain investments. For investments in securities rated below investment grade, the Corporation and its investment advisor monitor the investments and fund managers to determine if the portfolio is managed according to the stated guidelines.

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2021 were as follows:

| | <u>Fair Value</u> | <u>Rating</u> |
|--|----------------------|---------------|
| Bond mutual funds: | | |
| DFA Intermediate Government Bond | \$ 7,529,812 | AAA |
| Loomis Sayles Bond Fund - Institutional | 3,759,567 | BBB |
| PIMCO Total Return Fund - Institutional | 6,474,117 | A |
| PIMCO Foreign Bond Fund - Institutional | 4,522,762 | A |
| PIMCO High Yield Fund - Institutional | 1,645,395 | BB |
| PIMCO Short Term - Institutional | 12,878,093 | AA |
| PIMCO Low Duration Fund | 8,900,844 | AA |
| U.S. government: | | |
| U.S. Treasury bills | 426,316 | AAA |
| Money market funds: | | |
| Wells Fargo Cash Investment Money Market - Institutional | 1,348,043 | Unrated |
| Schwab One Fund | 945,322 | Unrated |
| Schwab Government Money Fund | 15,303 | Unrated |
| | <u>\$ 48,445,574</u> | |

Custodial Risk:

Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of the Corporation's investments are issued, registered or held in the name of the Corporation by custodian banks and brokers, as its agent. Other types of investments represent ownership interest that do not exist in physical or book entry form.

Note 4: Investments (Continued)

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2021 and 2020, the Corporation had no investments that exceeded this threshold.

Interest Rate Risk:

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average duration method. The weighted average duration of the Corporation's fixed income securities and money market funds at June 30, 2021 was as follows:

| | <u>Fair Value</u> | <u>Weighted Average Duration (in years)</u> |
|---|----------------------|---|
| Bond mutual funds: | | |
| DFA Intermediate Government Bond | \$ 7,529,812 | 6.9 |
| Loomis Sayles Bond Fund - Institutional | 3,759,567 | 4.2 |
| PIMCO Total Return Fund - Institutional | 6,474,117 | 5.5 |
| PIMCO Foreign Bond Fund - Institutional | 4,522,762 | 7.4 |
| PIMCO High Yield Fund - Institutional | 1,645,395 | 3.6 |
| PIMCO Short Term - Institutional | 12,878,093 | 0.1 |
| PIMCO Low Duration Fund | 8,900,844 | 1.5 |
| U.S. government: | | |
| U.S. Treasury bills | 426,316 | 5.6 |
| Money market funds | <u>2,308,668</u> | 0.0 |
| Total fixed income and debt securities subject to interest rate risk | <u>\$ 48,445,574</u> | 3.3 |

Foreign Currency Risk:

Exposure to foreign currency risk results from investments in foreign currency denominated equity or fixed income investments. The Corporation maintains international equity investments by investing in international mutual funds that are broadly diversified over many developed and emerging markets. Exposure to foreign currency risk from these investments is permitted and may be fully or partially hedged by the individual mutual fund managers, but hedging is not permitted for speculation or to create leverage.

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Notes to Financial Statements
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Note 4: Investments (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2021 was as follows:

| | <u>Fair Value</u> |
|--|----------------------|
| Euro | \$ 4,931,162 |
| Japanese Yen | 3,033,893 |
| British Pounds | 2,987,280 |
| Chinese Yen | 1,504,311 |
| Hong Kong Dollars | 841,926 |
| New Taiwan Dollar | 795,165 |
| Australian Dollar | 793,028 |
| South Korean Won | 743,654 |
| Swiss Francs | 673,492 |
| Singapore Dollar | 534,994 |
| Canadian Dollar | 518,796 |
| Indian Rupee | 494,356 |
| Swedish Krona | 482,737 |
| Danish Krone | 258,613 |
| Brazilian Reals | 242,944 |
| South African Rand | 168,184 |
| Norwegian Krona | 158,891 |
| Mexican Peso | 136,382 |
| Saudi Riyal | 118,487 |
| Other | <u>506,486</u> |
| Total investments subject to foreign currency risk | <u>\$ 19,924,781</u> |

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2021 was as follows:

| | |
|--|----------------------|
| Equity mutual funds | \$ 19,766,967 |
| Bond mutual funds | <u>157,814</u> |
| Total investments subject to foreign currency risk | <u>\$ 19,924,781</u> |

Investment Fair Values:

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. With the exception of the following, all of the Corporation investments are classified in Level 1 of the fair value hierarchy:

- Level 2 – U.S. government backed – asset backed securities
- Level 3 – Agriculture related retains and real estate

Note 4: Investments (Continued)

Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique, which is derived from the spread applied to U.S. treasury securities of a similar maturity and were valued at \$0 at June 30, 2021 and 2020, respectively. Agriculture related retains classified in Level 3 are partnership interests based on values provided by the partnership and were valued at \$4,233 at June 30, 2021 and 2020. Real estate classified in Level 3 consists of gifted assets based on fair values at the time of donation and were valued at \$80,000 at June 30, 2021 and 2020.

Note 5: Pledges Receivable

At June 30, 2021 and 2020, pledges receivable comprised the following:

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| Athletic programs | \$ 4,404,243 | \$ 7,472,491 |
| College-specific facilities | 6,916,872 | 7,993,294 |
| Stadium suites | 98,112 | 139,323 |
| Subtotal | <u>11,419,227</u> | <u>15,605,108</u> |
| Less allowance for uncollectible accounts | (1,217,830) | (1,304,080) |
| Less unamortized discount | <u>(895,669)</u> | <u>(986,835)</u> |
| Pledges receivable, net | <u><u>\$ 9,305,728</u></u> | <u><u>\$ 13,314,193</u></u> |
| Amounts due in: | | |
| One year or less | \$ 3,573,331 | \$ 5,746,891 |
| One to five years | 2,335,896 | 9,810,717 |
| More than five years | <u>5,510,000</u> | <u>47,500</u> |
| Total amounts due | <u><u>\$ 11,419,227</u></u> | <u><u>\$ 15,605,108</u></u> |

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Note 6: Capital Assets

At June 30, 2021, capital assets comprised the following:

| | 2021 | | | | Balance June 30, 2021 |
|--|---------------------------------------|---------------------|-----------------------|---|----------------------------------|
| | Balance June 30, 2020 | Additions | Reductions | Transfers of Completed CIP | |
| | Nondepreciable capital assets: | | | | |
| Land and improvements | \$ 18,692,425 | \$ | \$ | \$ | \$ 18,692,425 |
| Works of art and historical treasures | 445,799 | | (247,799) | | 198,000 |
| Construction in progress | 42,718,012 | 6,025,325 | (1,895,615) | (41,941,476) | 4,906,246 |
| Total nondepreciable capital assets | <u>61,856,236</u> | <u>6,025,325</u> | <u>(2,143,414)</u> | <u>(41,941,476)</u> | <u>23,796,671</u> |
| Depreciable and amortizable capital assets: | | | | | |
| Buildings and building improvements | 14,923,333 | 65,455 | (2,227,904) | 39,007,750 | 51,768,634 |
| Leasehold improvements | 11,142,758 | 1,174 | (26,413) | 517,190 | 11,634,709 |
| Equipment | 9,816,672 | 1,124,990 | (1,425,943) | 2,416,536 | 11,932,255 |
| Intangible assets: | | | | | |
| Software and websites | 792,677 | 29,219 | (45,816) | | 776,080 |
| Licenses and permits | 527,087 | | (35,082) | | 492,005 |
| Total depreciable and amortizable capital assets | <u>37,202,527</u> | <u>1,220,838</u> | <u>(3,761,158)</u> | <u>41,941,476</u> | <u>76,603,683</u> |
| Less accumulated depreciation and amortization: | | | | | |
| Buildings and building improvements | (7,141,727) | (1,557,795) | 1,871,955 | | (6,827,567) |
| Leasehold improvements | (7,607,266) | (549,950) | 24,951 | | (8,132,265) |
| Equipment | (7,489,432) | (898,596) | 1,385,261 | | (7,002,767) |
| Intangible assets: | | | | | |
| Software and websites | (608,561) | (51,110) | 45,816 | | (613,855) |
| Licenses and permits | (483,340) | (6,000) | 35,085 | | (454,255) |
| Total accumulated depreciation and amortization | <u>(23,330,326)</u> | <u>(3,063,451)</u> | <u>3,363,068</u> | <u>-</u> | <u>(23,030,709)</u> |
| Total capital assets, net | <u>\$ 75,728,437</u> | <u>\$ 4,182,712</u> | <u>\$ (2,541,504)</u> | <u>\$ -</u> | <u>\$ 77,369,645</u> |

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Note 6: Capital Assets (Continued)

At June 30, 2020, capital assets comprised the following:

| | 2020 | | | | Balance June 30, 2020 |
|--|--------------------------|----------------------|-----------------------|----------------------------------|--------------------------|
| | Balance June 30, 2019 | Additions | Reductions | Transfers of Completed CIP | |
| Nondepreciable capital assets: | | | | | |
| Land and improvements | \$ 18,692,425 | \$ | \$ | \$ | \$ 18,692,425 |
| Works of art and historical treasures | 445,799 | | | | 445,799 |
| Construction in progress | 28,406,951 | 18,561,488 | (3,039,333) | (1,211,094) | 42,718,012 |
| Total nondepreciable capital assets | <u>47,545,175</u> | <u>18,561,488</u> | <u>(3,039,333)</u> | <u>(1,211,094)</u> | <u>61,856,236</u> |
| Depreciable and amortizable capital assets: | | | | | |
| Buildings and building improvements | 14,892,155 | 4,936 | | 26,242 | 14,923,333 |
| Leasehold improvements | 10,325,271 | 73,118 | (51,550) | 795,919 | 11,142,758 |
| Equipment | 9,153,116 | 555,131 | (91,042) | 199,467 | 9,816,672 |
| Intangible assets: | | | | | |
| Software and websites | 822,126 | | (218,915) | 189,466 | 792,677 |
| Licenses and permits | 527,087 | | | | 527,087 |
| Total depreciable and amortizable capital assets | <u>35,719,755</u> | <u>633,185</u> | <u>(361,507)</u> | <u>1,211,094</u> | <u>37,202,527</u> |
| Less accumulated depreciation and amortization: | | | | | |
| Buildings and building improvements | (6,501,512) | (640,215) | | | (7,141,727) |
| Leasehold improvements | (7,059,670) | (547,596) | | | (7,607,266) |
| Equipment | (6,935,961) | (644,513) | 91,042 | | (7,489,432) |
| Intangible assets: | | | | | |
| Software and websites | (775,407) | (52,069) | 218,915 | | (608,561) |
| Licenses and permits | (474,505) | (8,835) | | | (483,340) |
| Total accumulated depreciation and amortization | <u>(21,747,055)</u> | <u>(1,893,228)</u> | <u>309,957</u> | | <u>(23,330,326)</u> |
| Total capital assets, net | <u>\$ 61,517,875</u> | <u>\$ 17,301,445</u> | <u>\$ (3,090,883)</u> | <u>\$ -</u> | <u>\$ 75,728,437</u> |

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Note 7: Long-Term Debt Obligation

For the year ended June 30, 2021, the long-term debt obligation activity was as follows:

| | <u>Balance</u> <u>June 30, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2021</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------|--|------------------|---------------------|--|--------------------------------------|
| Note payable, State-Wide: | | | | | |
| Revenue Bond Series 2016A | \$ 2,025,000 | \$ | \$ (85,000) | \$ 1,940,000 | \$ 90,000 |
| Revenue Bond Series 2018A | 23,055,000 | | (360,000) | 22,695,000 | 380,000 |
| | <u>25,080,000</u> | <u>-</u> | <u>(445,000)</u> | <u>24,635,000</u> | <u>470,000</u> |
| Unamortized bond premium | | | | | |
| Revenue Bond Series 2016A | 343,701 | | (22,662) | 321,039 | |
| Revenue Bond Series 2018A | 4,032,277 | | (142,316) | 3,889,961 | |
| | <u>\$ 29,455,978</u> | <u>\$ -</u> | <u>\$ (609,978)</u> | <u>\$ 28,846,000</u> | <u>\$ 470,000</u> |

At June 30, 2021, future maturities of the long-term debt obligation balance were as follows:

| <u>For the Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|----------------------|----------------------|
| 2022 | \$ 470,000 | \$ 1,216,600 | \$ 1,686,600 |
| 2023 | 495,000 | 1,192,475 | 1,687,475 |
| 2024 | 520,000 | 1,167,100 | 1,687,100 |
| 2025 | 545,000 | 1,140,475 | 1,685,475 |
| 2026 | 575,000 | 1,112,475 | 1,687,475 |
| 2027-2031 | 3,350,000 | 5,088,000 | 8,438,000 |
| 2032-2036 | 4,280,000 | 4,141,400 | 8,421,400 |
| 2037-2041 | 4,460,000 | 3,065,000 | 7,525,000 |
| 2042-2046 | 5,740,000 | 1,796,250 | 7,536,250 |
| 2047-2049 | 4,200,000 | 322,000 | 4,522,000 |
| Total future maturities | <u>\$ 24,635,000</u> | <u>\$ 20,241,775</u> | <u>\$ 44,876,775</u> |

At June 30, 2021 and 2020, the long-term debt obligation represents a note payable originally related to the CSU System-Wide Revenue Bonds (SRB) Series 2009A bond issuance to partially fund the construction of the Technology Park (Tech Park). The note payable was amended on March 1, 2016 in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A. On July 1, 2017, the Corporation entered into a second amendment to the note payable to partially fund the construction of the Vista Grande Replacement Building Project.

The amendment increased the Corporation net borrowings by \$26,581,000 through the issuance of California State University Institute Commercial Paper Notes. On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. The note payable related to the SRB Series 2018A is for \$23,400,000 with a premium of \$4,305,049 that will

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Note 7: Long-Term Debt Obligation (Continued)

be amortized over the life of the loan, which are included in long-term debt obligation on the Statements of Net Position. Amortization of the bond premium for the years ended June 30, 2021 and 2020 was \$142,316, respectively.

Principal payments on the note payable began in 2012 and continue until the final payment in November 2048. The note is secured by pledged revenues, including indirect cost recovery payments. The Corporation cannot incur, assume, guarantee, or obligate itself for any debt senior to this unless it meets certain income tests and notifies the Board of Trustees of the CSU of such issuance.

The SRB Series 2016A refunding resulted in a loss of \$293,195, which was included in deferred outflows of resources in the Statements of Net Position. The loss on debt refunding is being amortized over the life of the latest refunding debt. The unamortized loss on debt refunding, included in deferred outflows of resources in the Statements of Net Position, was \$212,178 and \$227,251 as of June 30, 2021 and 2020, respectively.

The SRB Series 2016A refunding also resulted in a bond premium of \$442,847 that is being amortized over the life of the latest refunding debt. Amortization of the bond premium for the years ended June 30, 2021 and 2020 was \$22,662, respectively.

The all-in true interest rate is 5.28% for the SRB Series 2009A, 2.78% for the SRB Series 2016A, and 3.63% for the SRB Series 2018A. Payments on the note are made each May and November.

Note 8: Other Postemployment Benefit Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Corporation sponsors a defined benefit postretirement plan, the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefit Plan) that covers both salaried and non-salaried employees. The Benefit Plan is a single employer defined OPEB plan administered through the Cal Poly Corporation Voluntary Employees' Beneficiary Association (VEBA) Trust. The Cal Poly Corporation VEBA Trust (Trust) is administered by the Cal Poly Corporation Benefits Committee (Trust Administrator). Members of the Cal Poly Corporation Benefits Committee are approved by the Corporation Executive Director and the Chair of the Corporation's Board of Directors. The Trust is intended to hold assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. The Corporation holds assets to cover future healthcare benefits associated with active, non-vested employees in its board designated OPEB investment pool.

Note 8: Other Postemployment Benefit Plan (Continued)

The Benefit Plan provides an extension of medical benefits provided while under employment to the plan participants. For employees hired prior to December 1, 2011, vesting occurs after five years credited service with CalPERS and attainment of age fifty. Employees hired as of December 1, 2011 and thereafter are subject to an alternative vesting schedule based on years of service and age. Under this revised schedule, an employee is eligible for 50% of the benefits after ten years credited service with CalPERS (five of which must be with the Corporation) and attainment of age fifty, and is eligible for 100% after twenty years of service and attainment of age fifty.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|-----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 141 |
| Inactive employees entitled to but not yet receiving benefits | 91 |
| Active employees | <u>231</u> |
| Total | <u><u>463</u></u> |

Contributions

Contributions to the Trust are intended to maintain Trust assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. Annual contribution rates are based on the results of the actuarial report. Employees are not required to contribute to the Trust. Medical premium payments for retirees are contributory, with retiree contributions adjusted annually for the difference between the total medical premium cost and the Corporation contribution rate. Retirees pay their portion of medical premiums directly to CalPERS and are therefore not recorded in the accompanying financial statements.

Net OPEB Liability

The Corporation's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Note 8: Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------------|--|
| Inflation | 2.26 percent |
| Salary increases | 3.25 percent |
| Investment rate of return | 6.50 percent |
| Healthcare cost trend rates (pre-65) | 6.95 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2032 and later years |
| Healthcare cost trend rates (post-65) | 4.60 percent for 2022, decreasing to an ultimate rate of 4.50 percent for 2023 and later years |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2017 Mortality pre-retirement and post-retirement with Scale MP-2017).

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for hypothetical investment portfolio allocation of 50% equity, and 50% fixed income. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2021, the best estimates of long-term expected rates of return for each major investment class in the Trust's portfolio are as follows:

| Asset Class | Long-Term Expected Real Rate of Return |
|--|---|
| Domestic Large Cap | 9.8% |
| Domestic Small Cap | 10.8% |
| Intl Large Cap | 9.8% |
| Intl Small Cap | 10.8% |
| Emerging Markets | 11.3% |
| Domestic REITs | 9.8% |
| Intl REITs | 9.8% |
| Domestic Fixed Income - High Quality | 1.8% |
| Domestic Fixed Income - Investment Grade | 2.4% |
| Intl Fixed Income | 1.0% |
| High Yield Bonds | 4.8% |
| Cash | 0.0% |

Note 8: Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. This single discount rate was based on the long-term expected real rate of return of assets.

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the Benefit Plan are as follows:

| | Increase (Decrease) | | |
|---|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2020 | \$ 29,992,003 | \$ 26,212,100 | \$ 3,779,903 |
| Changes in the year: | | | |
| Service cost | 1,005,266 | | 1,005,266 |
| Interest on total OPEB liability | 1,966,797 | | 1,966,797 |
| Differences between actual and expected experience | (226,327) | | (226,327) |
| Changes in assumptions | (1,974,894) | | (1,974,894) |
| Contribution - employer | | 451,320 | (451,320) |
| Net investment income | | 514,291 | (514,291) |
| Benefit payments | (1,501,317) | (1,501,317) | |
| Administrative expense | | (8,903) | 8,903 |
| Net changes | <u>(730,475)</u> | <u>(544,609)</u> | <u>(185,866)</u> |
| Balance at June 30, 2021 | <u>\$ 29,261,528</u> | <u>\$ 25,667,491</u> | <u>\$ 3,594,037</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

| | Discount Rate - 1% (5.5%) | Current Discount Rate (6.5%) | Discount Rate + 1% (7.5%) |
|--------------------|------------------------------|------------------------------------|------------------------------|
| Net OPEB liability | \$ 7,888,835 | \$ 3,594,037 | \$ 103,493 |

Note 8: Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------|--|--------------------|
| Net OPEB liability | \$ (64,775) | \$ 3,594,037 | \$ 7,855,953 |

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Trust financial statements. Copies of the Trust annual financial report may be obtained from the Cal Poly Corporation Business Office at One Grand Avenue, San Luis Obispo, CA 93407.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Corporation recognized OPEB expense of \$802,108. At June 30, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| OPEB contributions subsequent to measurement date | \$ 478,754 | \$ |
| Differences between expected and actual experiences in the measurement of the total OPEB liability | 19,518 | (1,085,043) |
| Changes in assumptions | | (3,850,350) |
| Net difference between projected and actual earnings on plan investments | <u>968,709</u> | |
| Total | <u>\$ 1,466,981</u> | <u>\$ (4,935,393)</u> |

Note 8: Other Postemployment Benefit Plan (Continued)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>For the Year Ending June 30,</u> | |
|-------------------------------------|---------------------|
| 2022 | \$ 467,815 |
| 2023 | 295,001 |
| 2024 | 329,349 |
| 2025 | 367,823 |
| 2026 | 607,173 |
| Thereafter | <u>1,880,005</u> |
| Total | <u>\$ 3,947,166</u> |

Payable to the OPEB Plan

At June 30, 2021 and 2020, the Corporation reported a payable of \$19,056 and \$0, respectively, to the Trust for the year then ended.

Note 9: Transactions with Related Parties

As discussed in Note 1, the Corporation is an auxiliary organization of the University. Services are provided by the Corporation to the University with billings rendered for services provided. The University also bills the Corporation for services it provides. The following were transactions with the University as of and for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|--------------|
| Accounts receivable | \$ 577,667 | \$ 1,726,294 |
| Accounts payable | 363,649 | 619,243 |
| Deposit with University | | 132,661 |
| Reimbursements to University for salaries and benefits of University personnel | 4,349,219 | 3,839,036 |
| Reimbursements to University for other than salaries of University personnel | 12,889,730 | 17,310,229 |
| Payments received from University for services, space and programs | 6,787,748 | 3,686,283 |
| Cash gifts to the University | 522,569 | 3,885,095 |
| Noncash gifts to the University | 756,996 | 3,304,103 |
| Notes receivable | 1,194,661 | |

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Note 9: Transactions with Related Parties (Continued)

The Corporation provides information technology and other services to the Cal Poly Foundation (Foundation) under a Business Support Services Agreement, effective July 1, 2015. The following were transactions with the Foundation as of and for the years ended June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Current accounts receivable | \$ 97,731 | \$ 34,473 |
| Deposit with Corporation | 323,000 | 323,000 |
| Accounts payable | 9,334 | |
| Payments from Foundation under BSSA/ASA | 10,000 | 10,000 |
| Cash contributions to Foundation | 312,044 | 178,714 |
| Cash contributions from Foundation | 2,482,814 | 2,756,771 |

Note 10: Operating Leases

Lessee

In exchange for services provided to the University, the Corporation has entered into certain long-term operating lease agreements with the University which allow the Corporation the use of campus land and facilities at nominal amounts through June 30, 2021. In addition, the Corporation has operating lease agreements with the University and its auxiliaries for certain facilities. Rental payments are due through July 31, 2029 and are subject to annual rent adjustments of up to 4%. The total rent expense paid on these leases for the years ended June 30, 2021 and 2020 was \$307,827 and \$295,056, respectively.

At June 30, 2021, future minimum rental payments for these leases were as follows:

| <u>For the Year Ending June 30,</u> | | |
|-------------------------------------|----|------------------|
| 2022 | \$ | 285,705 |
| 2023 | | 292,409 |
| 2024 | | 64,936 |
| 2025 | | 67,533 |
| 2026 | | 70,235 |
| Thereafter | | <u>234,619</u> |
| Total | \$ | <u>1,015,437</u> |

The Corporation also has a lease with an unrelated third party for Cal Poly Downtown. Monthly rental payments for the existing lease began November 1, 2016 at a monthly base amount of \$13,650 and are subject to biennial rent adjustments based on CPI indices for a term of 10 years. On May 6, 2020, the lease agreement was amended to reduce monthly rental payments through October 31, 2021 and remove biennial rent adjustments through November 1, 2022. The total rent expense paid on both leases for the years ended June 30, 2021 and 2020 was

Note 10: Operating Leases (Continued)

\$149,058 and \$157,657, respectively. At June 30, 2021, future minimum rental payments for this lease were as follows:

| <u>For the Year Ending June 30,</u> | |
|-------------------------------------|-------------------|
| 2022 | \$ 154,791 |
| 2023 | 154,791 |
| 2024 | 154,791 |
| 2025 | 157,887 |
| 2026 | 159,435 |
| Thereafter | <u>53,145</u> |
| Total | <u>\$ 834,840</u> |

In conjunction with the Bella Montaña development, the Corporation holds a ground lease with the University which expires April 2104. The lease requires the homes to be sold under a University faculty and staff housing eligibility priority system which requires the homeowner to reside there as principal place of residence and restricts resale to eligible buyers. Each home is subject to a ground sublease. Under the ground lease agreement, the Corporation is to pay the University annually all ground rents received under the subleases less costs of administration, operating expenses and reserves. Total ground rents received for the years ended June 30, 2021 and 2020 were \$47,248 and \$46,832, respectively. Administrative costs and operating expenses exceeded ground rents received; therefore, no amounts were paid to the University.

Effective May 1, 2018, the Corporation entered into a lease for its Center for Innovation and Entrepreneurship (CIE) with an unrelated third party for commercial space in the city of San Luis Obispo, CA. Monthly rental payments for the lease began May 1, 2018 at a monthly base amount of \$6,150. Monthly base rental payments are subject to annual rent adjustments based on CPI indices, however adjustment shall not be more than 3% of the prior year's monthly rent. The lease term is three years, with two options each to extend for an additional year. In December 2020, CIE exercised one of its options to extend the lease and intends to exercise its second option to extend the lease through April 30, 2023. The total rent expense paid on the lease for the years ended June 30, 2021 and 2020 was \$92,128 and \$63,345, respectively. At June 30, 2021, future minimum rental payments for this lease were as follows:

| <u>For the Year Ending June 30,</u> | |
|-------------------------------------|-------------------|
| 2022 | \$ 81,046 |
| 2023 | <u>69,219</u> |
| Total | <u>\$ 150,265</u> |

Effective July 1, 2018, the Corporation entered into a lease for its Cal Poly Center for Health Research with an unrelated third party for office space at French Hospital in the city of San Luis Obispo, CA. Monthly rental payments for the lease begin July 1, 2018 at a monthly base amount of \$1,879 which includes a pro-rata share of CAM expenses. Monthly base rental payments are subject to annual rent adjustments based on CPI indices; however, adjustment shall

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Note 10: Operating Leases (Continued)

not be less than 3% nor more than 7% of the prior year’s monthly rent. The initial lease term was three years. Due to the Pandemic, the annual rent adjustment and three months of rent were waived during fiscal year 2020-2021. The lease was amended effective July 1, 2021. The amendment creates an “option period,” which allows the Corporation to either reinstate or terminate the lease by June 20, 2022. During this period, the rental rate is reduced to \$250/month. It is anticipated that the Corporation will reinstate the lease at a reduced rental rate for the period of July 1, 2022 through June 30, 2025. The total rent expense paid on the lease for the years ended June 30, 2021 and 2020 was \$17,415 and \$23,220, respectively. At June 30, 2021, future minimum rental payments for this lease were as follows:

| <u>For the Year Ending June 30,</u> | |
|--|------------------|
| 2022 | \$ 3,000 |
| 2023 | 15,000 |
| 2024 | 15,450 |
| 2025 | 15,914 |
| Total | <u>\$ 49,364</u> |

Lessor

The Corporation leases office space to various tenants in the Tech Park with original lease terms of one to six years. The leases require tenants to pay their pro-rata share of common area maintenance (CAM) expenses. Rental income and CAM charges for the years ended June 30, 2021 and 2020 were \$489,177 and \$472,300, respectively. The cost of the Tech Park included in land, building and improvements was \$7,071,135 and \$6,915,035 at June 30, 2021 and 2020, respectively. Related accumulated depreciation was \$3,297,396 and \$2,971,396 at June 30, 2021 and 2020, respectively.

At June 30, 2021, future minimum rental income and CAM charges under these leases were as follows:

| <u>For the Year Ending June 30,</u> | |
|--|-------------------|
| 2022 | \$ 386,410 |
| 2023 | 201,061 |
| 2024 | 87,325 |
| 2025 | 89,695 |
| 2026 | 15,047 |
| Total | <u>\$ 779,538</u> |

Note 11: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description and Benefits Provided

Substantially all full-time employees of the Corporation participate in CalPERS (the Plan), an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

Employees hired for the first time by the Corporation on or after January 1, 2013 (Tier 3) who are eligible for retirement at the age of 62 are entitled to a monthly benefit of 2% of final compensation for each year of service credit. Employees hired for the first time on or after May 14, 2005 but before January 1, 2013 (Tier 2) may become eligible for the 2% benefit at age 60. Employees hired for the first time prior to May 14, 2005 (Tier 1) may become eligible for the 2% benefit at age 55. Retirement compensation is reduced if the plan is coordinated with social security. Retirement may begin at age 50 (Tiers 1 and 2) or 52 (Tier 3) with a reduced benefit rate. The Plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Corporation, members' accumulated contributions are refundable with interest credited through the date of separation. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Employees Covered

At June 30, 2021, the following employees were covered by the benefit terms for the Plan:

| | |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 384 |
| Inactive employees entitled to but not yet receiving benefits | 736 |
| Active employees | <u>261</u> |
| Total | <u><u>1,381</u></u> |

Net Pension Liability

The Corporation's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Note 11: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|---------------------------------|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.63% |
| Payroll Growth | 2.88% |
| Projected Salary Increase | (1) |
| Investment Rate of Return | 7.25% (2) |
| Mortality | (3) |

(1) Depending on entry age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

(3) The probabilities of mortality are based on the 2017 CalPERS
Experience Study for the period from 1997 to 2015

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%, which did not change from the prior year. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Note 11: Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11 + (b) |
|---------------------|----------------------|-----------------------------|----------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Sensitive | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | |

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Note 11: Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2020 | \$ 87,112,141 | \$ 65,092,067 | \$ 22,020,074 |
| Changes in the year: | | | |
| Service cost | 1,931,420 | | 1,931,420 |
| Interest on total pension liability | 6,143,985 | | 6,143,985 |
| Differences between actual and expected experience | 188,089 | | 188,089 |
| Contribution - employer | | 2,487,230 | (2,487,230) |
| Contribution - employee | | 814,326 | (814,326) |
| Net investment income | | 3,208,171 | (3,208,171) |
| Benefit payments, including refunds of employee employee contributions | (4,672,135) | (4,672,135) | |
| Administrative expense | | (91,764) | 91,764 |
| Net changes | <u>3,591,359</u> | <u>1,745,828</u> | <u>1,845,531</u> |
| Balance at June 30, 2021 | <u>\$ 90,703,500</u> | <u>\$ 66,837,895</u> | <u>\$ 23,865,605</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

| | Discount Rate - 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|--|-------------------------------|-------------------------------------|-------------------------------|
| | Plan's Net Pension Liability | \$ 35,746,984 | \$ 23,865,605 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 11: Defined Benefit Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Corporation recognized pension expense of \$3,812,620. At June 30, 2021, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 2,590,883 | \$ |
| Differences between expected and actual experiences | 175,521 | |
| Net difference between projected and actual earnings on plan investments | <u>570,087</u> | |
| Total | <u>\$ 3,336,491</u> | <u>\$ -</u> |

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. All other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

| <u>For the Year Ending June 30,</u> | |
|--|-------------------|
| 2022 | \$ (85,608) |
| 2023 | 207,159 |
| 2024 | 346,322 |
| 2025 | <u>277,735</u> |
| Total | <u>\$ 745,608</u> |

Payable to the Pension Plan

At June 30, 2021 and 2020, the Corporation reported a payable of \$43,859 and \$33,190, respectively, for the outstanding amount of contributions to the pension plan required for the year then ended.

Note 12: Risk Management

The Corporation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA), a public entity risk pool, for coverage of liability, property and general organizational risk. CSURMA provides self-insured risk with purchase of excess insurance. The Corporation maintains general liability insurance coverage for individual claims up to \$15 million per occurrence. Unfair employment practices liability claims under \$25,000 are self-insured. The Corporation also maintains excess property insurance coverage to limits of \$100 million in excess of \$5,000 self-insured limits.

Note 13: COVID-19 Pandemic

As noted in Management's Discussion and Analysis, the Corporation has been impacted by the COVID-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and investment fund income in the future.

Note 14: Subsequent Events

Events subsequent to June 30, 2021 have been evaluated through September 10, 2021, which is the date the financial statements were available to be issued. Except as follows, the Corporation did not identify any subsequent events that require disclosure.

Effective July 1, 2021, the Corporation entered into a fourth amendment to the note payable related to proceeds borrowed from the issuance of CSU System-Wide Revenue Bonds to partially fund the renovation of its central dining facility. The amendment increases the Corporation's principal borrowings by \$13,420,000 and requires principal and interest payments beginning May 2023 through May 2053 at an all-in true interest rate of 2.23%. Bonds proceeds borrowed were issued at a premium of \$2,226,908 that will be amortized over the life of the loan.

Required Supplementary Information

Cal Poly Corporation
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 1,005,266 | \$ 957,397 | \$ 1,141,018 | \$ 1,086,684 |
| Interest | 1,966,797 | 1,876,206 | 2,032,225 | 1,923,754 |
| Differences between expected and actual experience | (226,327) | 24,239 | (1,012,510) | (269,900) |
| Changes in assumptions | (1,974,894) | | (2,904,595) | |
| Benefit payments | <u>(1,501,317)</u> | <u>(1,522,318)</u> | <u>(1,424,857)</u> | <u>(1,119,651)</u> |
| Net change in total OPEB liability | (730,475) | 1,335,524 | (2,168,719) | 1,620,887 |
| Total OPEB liability - beginning | <u>\$ 29,992,003</u> | <u>\$ 28,656,479</u> | <u>\$ 30,825,198</u> | <u>\$ 29,204,311</u> |
| Total OPEB liability - ending (a) | <u>\$ 29,261,528</u> | <u>\$ 29,992,003</u> | <u>\$ 28,656,479</u> | <u>\$ 30,825,198</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 451,320 | \$ 594,645 | \$ 492,280 | \$ 296,314 |
| Net investment income | 514,291 | 1,486,549 | 1,469,561 | 2,405,355 |
| Benefit payments | (1,501,317) | (1,522,318) | (1,424,857) | (1,119,651) |
| Administrative expense | <u>(8,903)</u> | <u>(12,540)</u> | <u>(12,965)</u> | <u>(12,743)</u> |
| Net change in plan fiduciary net position | (544,609) | 546,336 | 524,019 | 1,569,275 |
| Plan fiduciary net position - beginning | <u>26,212,100</u> | <u>25,665,764</u> | <u>25,141,745</u> | <u>23,572,470</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 25,667,491</u> | <u>\$ 26,212,100</u> | <u>\$ 25,665,764</u> | <u>\$ 25,141,745</u> |
| Net OPEB liability - ending (a)-(b) | <u>\$ 3,594,037</u> | <u>\$ 3,779,903</u> | <u>\$ 2,990,715</u> | <u>\$ 5,683,453</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 87.7% | 87.4% | 89.6% | 81.6% |
| Covered employee payroll | \$ 13,055,768 | \$ 12,615,771 | \$ 11,941,343 | \$ 12,085,567 |
| Net OPEB liability as a percentage of covered employee payroll | 27.5% | 30.0% | 25.0% | 47.0% |

* Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*

Page 2

Notes to Schedule:

Benefit Changes: There have been no changes to benefit terms since June 30, 2017.

Changes of Assumptions: The mortality, retirement, and withdrawal rates were updated to reflect the most recent experience study published by CalPERS.

The average per capita claims cost was updated to reflect actual 2020 and 2021 premiums and caps and the health care cost trend rate was updated to reflect 2018 industry survey data. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study.

There have been no other changes in the assumptions since the last measurement date.

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Contributions – OPEB
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | N/A | N/A | N/A | N/A |
| Contributions in relation to the actuarially determined contributions | \$ 451,320 | \$ 594,645 | \$ 492,280 | \$ 296,314 |
| Contribution deficiency (excess) | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Employer contributions to the VEBA Trust | \$ 235,568 | \$ 345,550 | \$ 234,262 | \$ 296,314 |
| Active implicit rate subsidy transferred to VEBA Trust | <u>215,752</u> | <u>249,095</u> | <u>258,018</u> | |
| Total employer contributions | <u>\$ 451,320</u> | <u>\$ 594,645</u> | <u>\$ 492,280</u> | <u>\$ 296,314</u> |
| Covered employee payroll | \$ 13,055,768 | \$ 12,615,771 | \$ 11,941,343 | \$ 12,085,567 |
| Contributions as a percentage of covered employee payroll | 3.5% | 4.7% | 4.1% | 2.5% |

* Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Contributions – OPEB
Last 10 Fiscal Years*
Page 2

Notes to Schedule:

| | |
|---------------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | Straight-line method |
| Asset Valuation Method | Market value of assets as of the measurement date |
| Inflation | 2.26 percent |
| Healthcare cost trend rates (pre-65) | 6.95 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2032 and later years |
| Healthcare cost trend rates (post-65) | 4.60 percent for 2022, decreasing to an ultimate rate of 4.50 percent for 2023 and later years |
| Salary Increases | 3.25 percent |
| Investment rate of return | 6.50 percent |
| Retirement Age | Retirement rates used in the valuation are those used in the most recent CalPERS valuation, CalPERS 2017 Public Agency Miscellaneous 2% @ 55 and 2% @ 60 for actives hired before January 1, 2013, and 2% @ 62 for actives hired on or after January 1, 2013. |
| Mortality | Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2017 Mortality pre-retirement and post-retirement with Scale MP-2017). |

See accompanying independent auditor’s report.

Cal Poly Corporation
Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 1,931,420 | \$ 1,829,285 | \$ 1,921,554 | \$ 1,914,269 | \$ 1,565,548 | \$ 1,403,277 | \$ 1,402,348 |
| Interest on total pension liability | 6,143,985 | 5,901,425 | 5,614,238 | 5,348,446 | 5,128,834 | 4,920,633 | 4,760,420 |
| Differences between expected and actual experience | 188,089 | 802,201 | 800,963 | 159,480 | (207,770) | (888,401) | |
| Changes in assumptions | | | (437,649) | 4,427,253 | | (1,192,843) | |
| Benefit payments, including refunds of employee contributions | <u>(4,672,135)</u> | <u>(4,482,684)</u> | <u>(4,067,814)</u> | <u>(3,756,787)</u> | <u>(3,634,440)</u> | <u>(3,316,952)</u> | <u>(3,147,576)</u> |
| Net change in total pension liability | 3,591,359 | 4,050,227 | 3,831,292 | 8,092,661 | 2,852,172 | 925,714 | 3,015,192 |
| Total pension liability - beginning | <u>87,112,141</u> | <u>83,061,914</u> | <u>79,230,622</u> | <u>71,137,961</u> | <u>68,285,789</u> | <u>67,360,075</u> | <u>64,344,883</u> |
| Total pension liability - ending (a) | <u>\$ 90,703,500</u> | <u>\$ 87,112,141</u> | <u>\$ 83,061,914</u> | <u>\$ 79,230,622</u> | <u>\$ 71,137,961</u> | <u>\$ 68,285,789</u> | <u>\$ 67,360,075</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 2,487,230 | \$ 2,144,821 | \$ 1,789,867 | \$ 1,760,624 | \$ 1,570,071 | \$ 1,438,515 | \$ 1,281,507 |
| Contributions - employee | 814,326 | 756,141 | 673,081 | 683,416 | 636,058 | 561,411 | 461,197 |
| Net investment income | 3,208,171 | 4,072,390 | 4,966,867 | 6,042,407 | 280,275 | 1,227,805 | 8,470,353 |
| Benefit payments | (4,672,135) | (4,482,684) | (4,067,814) | (3,756,787) | (3,634,440) | (3,316,952) | (3,147,576) |
| Administrative expense | <u>(91,764)</u> | <u>(44,559)</u> | <u>(269,175)</u> | <u>(81,063)</u> | <u>(34,182)</u> | <u>(63,120)</u> | |
| Net change in plan fiduciary net position | 1,745,828 | 2,446,109 | 3,092,826 | 4,648,597 | (1,182,218) | (152,341) | 7,065,481 |
| Plan fiduciary net position - beginning | <u>65,092,067</u> | <u>62,645,958</u> | <u>59,553,132</u> | <u>54,904,535</u> | <u>56,086,753</u> | <u>56,239,094</u> | <u>49,173,613</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 66,837,895</u> | <u>\$ 65,092,067</u> | <u>\$ 62,645,958</u> | <u>\$ 59,553,132</u> | <u>\$ 54,904,535</u> | <u>\$ 56,086,753</u> | <u>\$ 56,239,094</u> |
| Net pension liability - ending (a)-(b) | <u>\$ 23,865,605</u> | <u>\$ 22,020,074</u> | <u>\$ 20,415,956</u> | <u>\$ 19,677,490</u> | <u>\$ 16,233,426</u> | <u>\$ 12,199,036</u> | <u>\$ 11,120,981</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.7% | 74.7% | 75.4% | 75.2% | 77.2% | 82.1% | 83.5% |
| Covered employee payroll | \$12,997,443 | \$12,352,523 | \$ 12,844,611 | \$ 12,705,045 | \$ 11,885,419 | \$ 10,733,343 | \$ 10,427,158 |
| Net pension liability as a percentage of covered employee payroll | 183.6% | 178.3% | 158.9% | 154.9% | 136.6% | 113.7% | 106.7% |

* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

Page 2

Notes to Schedule:

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 or 2020. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Contributions – Pension
Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 2,487,230 | \$ 2,144,821 | \$ 1,789,867 | \$ 1,760,624 | \$ 1,570,071 | \$ 1,438,515 | \$ 1,281,507 |
| Contributions in relation to the actuarially determined contributions | <u>2,487,230</u> | <u>2,144,821</u> | <u>1,789,867</u> | <u>1,760,624</u> | <u>1,570,071</u> | <u>1,438,515</u> | <u>1,281,507</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | | |
| Covered employee payroll | \$ 12,997,443 | \$ 12,352,523 | \$ 12,844,611 | \$ 12,705,045 | \$ 11,885,419 | \$ 10,733,343 | \$ 10,427,158 |
| | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 19.1% | 17.4% | 13.9% | 13.9% | 13.2% | 13.4% | 12.3% |

* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

See accompanying independent auditor's report.

**Supplementary Information for Inclusion in the
Financial Statements of the California State University**

Cal Poly Corporation (San Luis Obispo)
Schedule of Net Position
June 30, 2021
(for inclusion in the California State University)

| | |
|--|-----------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 23,610,696 |
| Short-term investments | 59,685,874 |
| Accounts receivable, net | 7,392,123 |
| Capital lease receivable, current portion | - |
| Notes receivable, current portion | - |
| Pledges receivable, net | 3,184,851 |
| Prepaid expenses and other current assets | 1,801,249 |
| Total current assets | <u>95,674,793</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 168,809 |
| Accounts receivable, net | 14,743 |
| Capital lease receivable, net of current portion | - |
| Notes receivable, net of current portion | 1,194,661 |
| Student loans receivable, net | - |
| Pledges receivable, net | 6,120,877 |
| Endowment investments | 2,910,050 |
| Other long-term investments | 37,844,922 |
| Capital assets, net | 77,369,645 |
| Other assets | 323,000 |
| Total noncurrent assets | <u>125,946,707</u> |
| Total assets | <u>221,621,500</u> |
| Deferred outflows of resources: | |
| Unamortized loss on debt refunding | 212,178 |
| Net pension liability | 3,336,491 |
| Net OPEB liability | 1,466,981 |
| Others | - |
| Total deferred outflows of resources | <u>5,015,650</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 5,268,294 |
| Accrued salaries and benefits | 1,714,017 |
| Accrued compensated absences, current portion | 777,598 |
| Unearned revenues | 10,889,951 |
| Capital lease obligations, current portion | - |
| Long-term debt obligations, current portion | 470,000 |
| Claims liability for losses and loss adjustment expenses, current portion | 45,000 |
| Depository accounts | - |
| Other liabilities | - |
| Total current liabilities | <u>19,164,860</u> |
| Noncurrent liabilities: | |
| Accrued compensated absences, net of current portion | 170,373 |
| Unearned revenues | - |
| Grants refundable | - |
| Capital lease obligations, net of current portion | - |
| Long-term debt obligations, net of current portion | 28,376,000 |
| Claims liability for losses and loss adjustment expenses, net of current portion | - |
| Depository accounts | 4,362,001 |
| Net other postemployment benefits liability | 3,594,037 |
| Net pension liability | 23,865,605 |
| Other liabilities | 949,213 |
| Total noncurrent liabilities | <u>61,317,229</u> |
| Total liabilities | <u>80,482,089</u> |
| Deferred inflows of resources: | |
| Service concession arrangements | - |
| Net pension liability | - |
| Net OPEB liability | 4,935,393 |
| Unamortized gain on debt refunding | - |
| Nonexchange transactions | - |
| Others | 11,027,000 |
| Total deferred inflows of resources | <u>15,962,393</u> |
| Net position: | |
| Net investment in capital assets | 37,708,825 |
| Restricted for: | |
| Nonexpendable – endowments | - |
| Expendable: | |
| Scholarships and fellowships | - |
| Research | 130,050 |
| Loans | - |
| Capital projects | 374,807 |
| Debt service | - |
| Others | 15,645,899 |
| Unrestricted | 76,333,087 |
| Total net position | <u>\$ 130,192,668</u> |

Cal Poly Corporation (San Luis Obispo)
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(for inclusion in the California State University)

Revenues:

Operating revenues:

| | | |
|--|----|---|
| Student tuition and fees, gross | \$ | - |
| Scholarship allowances (enter as negative) | | - |

Grants and contracts, noncapital:

| | | |
|--|--|-------------------|
| Federal | | 13,269,752 |
| State | | 4,461,503 |
| Local | | 725,352 |
| Nongovernmental | | 3,874,264 |
| Sales and services of educational activities | | - |
| Sales and services of auxiliary enterprises, gross | | 24,033,657 |
| Scholarship allowances (enter as negative) | | - |
| Other operating revenues | | 12,107,834 |
| Total operating revenues | | <u>58,472,362</u> |

Expenses:

Operating expenses:

| | | |
|------------------------------------|--|---------------------|
| Instruction | | 885,368 |
| Research | | 20,287,699 |
| Public service | | 11,695,764 |
| Academic support | | 1,352,727 |
| Student services | | 1,224,019 |
| Institutional support | | 10,468,444 |
| Operation and maintenance of plant | | 2,178,886 |
| Student grants and scholarships | | 128,461 |
| Auxiliary enterprise expenses | | 26,173,119 |
| Depreciation and amortization | | 3,020,646 |
| Total operating expenses | | <u>77,415,133</u> |
| Operating income (loss) | | <u>(18,942,771)</u> |

Nonoperating revenues (expenses):

| | | |
|--|--|-------------------|
| State appropriations, noncapital | | - |
| Federal financial aid grants, noncapital | | - |
| State financial aid grants, noncapital | | - |
| Local financial aid grants, noncapital | | - |
| Nongovernmental and other financial aid grants, noncapital | | - |
| Other federal nonoperating grants, noncapital | | - |
| Gifts, noncapital | | 5,909,117 |
| Investment income (loss), net | | 17,387,643 |
| Endowment income (loss), net | | - |
| Interest expense | | (1,085,863) |
| Other nonoperating revenues (expenses) - excl. interagency transfers | | 2,558,197 |
| Net nonoperating revenues (expenses) | | <u>24,769,094</u> |
| Income (loss) before other revenues (expenses) | | <u>5,826,323</u> |

| | | |
|--|--|------------------|
| State appropriations, capital | | - |
| Grants and gifts, capital | | 2,587,017 |
| Additions (reductions) to permanent endowments | | - |
| Increase (decrease) in net position | | <u>8,413,340</u> |

Net position:

| | | |
|---|----|---------------------------|
| Net position at beginning of year, as previously reported | | 121,779,328 |
| Restatements | | - |
| Net position at beginning of year, as restated | | <u>121,779,328</u> |
| Net position at end of year | \$ | <u><u>130,192,668</u></u> |

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1 Cash and cash equivalents:

| | |
|---|----------------------|
| Portion of restricted cash and cash equivalents related to endowments | \$ 109,957 |
| All other restricted cash and cash equivalents | <u>58,852</u> |
| Noncurrent restricted cash and cash equivalents | <u>168,809</u> |
| Current cash and cash equivalents | <u>23,610,696</u> |
| Total | <u>\$ 23,779,505</u> |

2.1 Composition of investments:

| Investment Type | Current | Noncurrent | Total |
|---|----------------------|-------------------|--------------------|
| Money market funds | | | - |
| Repurchase agreements | | | - |
| Certificates of deposit | | | - |
| U.S. agency securities | | | - |
| U.S. treasury securities | | 426,316 | 426,316 |
| Municipal bonds | | | - |
| Corporate bonds | | | - |
| Asset backed securities | | | - |
| Mortgage backed securities | | | - |
| Commercial paper | | | - |
| Mutual funds | 58,697,945 | 40,194,987 | 98,892,932 |
| Exchange traded funds | 39,345 | | 39,345 |
| Equity securities | 204,990 | | 204,990 |
| Alternative investments: | | | |
| Private equity (including limited partnerships) | | | - |
| Hedge funds | | | - |
| Managed futures | | | - |
| Real estate investments (including REITs) | | 80,000 | 80,000 |
| Commodities | | | - |
| Derivatives | | | - |
| Other alternative investment | | | - |
| Other external investment pools | | | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | | | - |
| State of California Local Agency Investment Fund (LALIF) | | | - |
| State of California Surplus Money Investment Fund (SMIF) | | | - |
| Other investments: | | | |
| Cash and interest receivable pending long-term investment | 743,594 | 49,446 | 793,040 |
| Agriculture related retains | - | 4,223 | 4,223 |
| | | | - |
| | | | - |
| | | | - |
| Total Other investments | <u>743,594</u> | <u>53,669</u> | <u>797,263</u> |
| Total investments | <u>59,685,874</u> | <u>40,754,972</u> | <u>100,440,846</u> |
| Less endowment investments (enter as negative number) | | (2,910,050) | (2,910,050) |
| Total investments, net of endowments | <u>\$ 59,685,874</u> | <u>37,844,922</u> | <u>97,530,796</u> |

2.2 Fair value hierarchy in investments:

| Investment Type | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value (NAV) |
|---|------------|--|---|---|-----------------------|
| Money market funds | \$ - | | | | |
| Repurchase agreements | - | | | | |
| Certificates of deposit | - | | | | |
| U.S. agency securities | - | | | | |
| U.S. treasury securities | 426,316 | 426,316 | | | |
| Municipal bonds | - | | | | |
| Corporate bonds | - | | | | |
| Asset backed securities | - | | | | |
| Mortgage backed securities | - | | | | |
| Commercial paper | - | | | | |
| Mutual funds | 98,892,932 | | 98,892,932 | | |
| Exchange traded funds | 39,345 | | 39,345 | | |
| Equity securities | 204,990 | | 204,990 | | |
| Alternative investments: | | | | | |
| Private equity (including limited partnerships) | - | | | | |
| Hedge funds | - | | | | |
| Managed futures | - | | | | |
| Real estate investments (including REITs) | 80,000 | | | 80,000 | |
| Commodities | - | | | | |
| Derivatives | - | | | | |
| Other alternative investment | - | | | | |

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| | | | | |
|---|--------------------|--------------------|----------|---------------|
| Other external investment pools | - | | | |
| CSU Consolidated Investment Pool (formerly SWIFT) | - | | | |
| State of California Local Agency Investment Fund (LAIF) | - | | | |
| State of California Surplus Money Investment Fund (SMIF) | - | | | |
| Other investments: | | | | |
| Cash and interest receivable pending long-term investment | 793,040 | 793,040 | | |
| Agriculture related retains | 4,223 | | 4,223 | |
| | - | | | |
| | - | | | |
| | - | | | |
| Total Other investments | \$ 797,263 | 793,040 | - | 4,223 |
| Total investments | 100,440,846 | 100,356,623 | - | 84,223 |

2.3 Investments held by the University under contractual agreements:

| | Current | Noncurrent | Total |
|--|---------|------------|-------|
| Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT): | | | \$ - |

3.1 Composition of capital assets:

| | Balance June 30, 2020 | Reclassifications | Prior Period Additions | Prior Period Retirements | Balance June 30, 2020 (Restated) | Additions | Retirements | Transfer of completed CWIP/PWIP | Balance June 30, 2021 |
|---|--------------------------|-------------------|------------------------|--------------------------|--|--------------------|----------------------|------------------------------------|--------------------------|
| Non-depreciable/Non-amortizable capital assets: | | | | | | | | | |
| Land and land improvements | \$ 18,692,425 | | | | \$ 18,692,425 | | | | \$ 18,692,425 |
| Works of art and historical treasures | 445,799 | | | | 445,799 | | (247,799) | | 198,000 |
| Construction work in progress (CWIP) | 42,718,012 | | | | 42,718,012 | 6,025,325 | (1,895,615) | (41,941,476) | 4,906,246 |
| Intangible assets: | | | | | | | | | |
| Rights and easements | | | | | - | | | | - |
| Patents, copyrights and trademarks | | | | | - | | | | - |
| Intangible assets in progress (PWIP) | | | | | - | | | | - |
| Licenses and permits | | | | | - | | | | - |
| Other intangible assets: | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| Total Other intangible assets | - | - | - | - | - | - | - | - | - |
| Total intangible assets | - | - | - | - | - | - | - | - | - |
| Total non-depreciable/non-amortizable capital assets | \$ 61,856,236 | - | - | - | \$ 61,856,236 | 6,025,325 | (2,143,414) | (41,941,476) | \$ 23,796,671 |
| Depreciable/Amortizable capital assets: | | | | | | | | | |
| Buildings and building improvements | 14,923,333 | | | | 14,923,333 | 65,455 | (2,227,904) | 39,007,750 | 51,768,634 |
| Improvements, other than buildings | | | | | - | | | | - |
| Infrastructure | | | | | - | | | | - |
| Leasehold improvements | 11,142,758 | | | | 11,142,758 | 1,174 | (26,413) | 517,190 | 11,634,709 |
| Personal property: | | | | | | | | | |
| Equipment | 9,816,672 | | | | 9,816,672 | 1,124,990 | (1,425,943) | 2,416,536 | 11,932,255 |
| Library books and materials | | | | | - | | | | - |
| Intangible assets: | | | | | | | | | |
| Software and websites | 792,677 | | | | 792,677 | 29,219 | (45,816) | - | 776,080 |
| Rights and easements | | | | | - | | | | - |
| Patents, copyrights and trademarks | | | | | - | | | | - |
| Licenses and permits | 527,087 | | | | 527,087 | - | (35,082) | | 492,005 |
| Other intangible assets: | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| | | | | | - | | | | - |
| Total Other intangible assets: | - | - | - | - | - | - | - | - | - |
| Total intangible assets | 1,319,764 | - | - | - | 1,319,764 | 29,219 | (80,898) | - | 1,268,085 |
| Total depreciable/amortizable capital assets | 37,202,527 | - | - | - | 37,202,527 | 1,220,838 | (3,761,158) | 41,941,476 | 76,603,683 |
| Total capital assets | \$ 99,058,763 | - | - | - | \$ 99,058,763 | 7,246,163.0 | (5,904,572.0) | - | \$ 100,400,354 |

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Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)

| | | | | | |
|--|----------------------|----------------------|--------------------|--------------------|---------------------|
| Buildings and building improvements | (7,141,727) | (7,141,727) | (1,557,795) | 1,871,955 | (6,827,567) |
| Improvements, other than buildings | | - | | | - |
| Infrastructure | | - | | | - |
| Leasehold improvements | (7,607,266) | (7,607,266) | (549,950) | 24,951 | (8,132,265) |
| Personal property: | | | | | |
| Equipment | (7,489,432) | (7,489,432) | (898,596) | 1,385,261 | (7,002,767) |
| Library books and materials | | - | | | - |
| Intangible assets: | | | | | |
| Software and websites | (608,561) | (608,561) | (51,110) | 45,816 | (613,855) |
| Rights and easements | | - | | | - |
| Patents, copyrights and trademarks | | - | | | - |
| Licenses and permits | (483,340) | (483,340) | (6,000) | 35,085 | (454,255) |
| Other intangible assets: | | - | | | - |
| | | - | | | - |
| | | - | | | - |
| | | - | | | - |
| | | - | | | - |
| Total Other intangible assets: | - | - | - | - | - |
| Total intangible assets | (1,091,901) | (1,091,901) | (57,110) | 80,901 | (1,068,110) |
| Total accumulated depreciation/amortization | (23,330,326) | (23,330,326) | (3,063,451) | 3,363,068 | (23,030,709) |
| Total capital assets, net | \$ 75,728,437 | \$ 75,728,437 | 4,182,712 | (2,541,504) | 77,369,645 |

3.2 Detail of depreciation and amortization expense:

| | |
|---|---------------------|
| Depreciation and amortization expense related to capital assets | \$ 3,063,451 |
| Amortization expense related to other assets | (42,805) |
| Total depreciation and amortization | \$ 3,020,646 |

4 Long-term liabilities:

| | Balance June 30, 2020 | Prior Period Adjustments/Reclassifications | Balance June 30, 2020 (Restated) | Additions | Reductions | Balance June 30, 2021 | Current Portion | Noncurrent Portion |
|--|--------------------------|---|-------------------------------------|-----------|------------------|--------------------------|------------------|----------------------|
| 1. Accrued compensated absences | \$ 940,878 | | 940,878 | 836,630 | (829,537) | \$ 947,971 | \$ 777,598 | \$ 170,373 |
| 2. Claims liability for losses and loss adjustment expenses | 207,616 | | 207,616 | | (162,616) | 45,000 | 45,000 | - |
| 3. Capital lease obligations: | | | | | | | | |
| Gross balance | - | | - | | | - | - | - |
| Unamortized net premium/(discount) | - | | - | | | - | - | - |
| Total capital lease obligations | \$ - | | - | | | - | - | - |
| 4. Long-term debt obligations: | | | | | | | | |
| 4.1 Auxiliary revenue bonds (non-SRB related) | - | | - | | | - | - | - |
| 4.2 Commercial paper | - | | - | | | - | - | - |
| 4.3 Notes payable (SRB related) | 25,080,000 | | 25,080,000 | | (445,000) | 24,635,000 | 470,000 | 24,165,000 |
| 4.4 Others: | | | | | | | | |
| | - | | - | | | - | - | - |
| | - | | - | | | - | - | - |
| | - | | - | | | - | - | - |
| | - | | - | | | - | - | - |
| Total others | - | | - | | | - | - | - |
| Sub-total long-term debt | \$ 25,080,000 | | 25,080,000 | | (445,000) | \$ 24,635,000 | 470,000 | 24,165,000 |
| 4.5 Unamortized net bond premium/(discount) | 4,375,978 | | 4,375,978 | | (164,978) | 4,211,000 | - | 4,211,000 |
| Total long-term debt obligations | 29,455,978 | | 29,455,978 | | (609,978) | 28,846,000 | 470,000 | 28,376,000 |
| Total long-term liabilities | \$ 30,604,472 | | 30,604,472 | 836,630 | (1,602,131) | \$ 29,838,971 | 1,292,598 | \$ 28,546,373 |

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5 Capital lease obligations schedule:

| | Capital lease obligations related to SRB | | | All other capital lease obligations | | | Total capital lease obligations | | |
|--|--|---------------|------------------------|-------------------------------------|---------------|------------------------|---------------------------------|---------------|------------------------|
| | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2022 | - | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - | - |
| 2027 - 2031 | - | - | - | - | - | - | - | - | - |
| 2032 - 2036 | - | - | - | - | - | - | - | - | - |
| 2037 - 2041 | - | - | - | - | - | - | - | - | - |
| 2042 - 2046 | - | - | - | - | - | - | - | - | - |
| 2047 - 2051 | - | - | - | - | - | - | - | - | - |
| Thereafter | - | - | - | - | - | - | - | - | - |
| Total minimum lease payments | \$ - | - | - | - | - | - | - | - | - |
| Less: amounts representing interest | | | | | | | | | - |
| Present value of future minimum lease payments | | | | | | | | | - |
| Unamortized net premium/(discount) | | | | | | | | | - |
| Total capital lease obligations | | | | | | | | | - |
| Less: current portion | | | | | | | | | - |
| Capital lease obligations, net of current portion | | | | | | | | | \$ - |

6 Long-term debt obligations schedule:

| | Auxiliary revenue bonds (non-SRB related) | | | All other long-term debt obligations | | | Total long-term debt obligations | | |
|---|---|----------|------------------------|--------------------------------------|-------------------|------------------------|----------------------------------|-------------------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2022 | - | - | - | 470,000 | 1,216,600 | 1,686,600 | 470,000 | 1,216,600 | 1,686,600 |
| 2023 | - | - | - | 495,000 | 1,192,475 | 1,687,475 | 495,000 | 1,192,475 | 1,687,475 |
| 2024 | - | - | - | 520,000 | 1,167,100 | 1,687,100 | 520,000 | 1,167,100 | 1,687,100 |
| 2025 | - | - | - | 545,000 | 1,140,475 | 1,685,475 | 545,000 | 1,140,475 | 1,685,475 |
| 2026 | - | - | - | 575,000 | 1,112,475 | 1,687,475 | 575,000 | 1,112,475 | 1,687,475 |
| 2027 - 2031 | - | - | - | 3,350,000 | 5,088,000 | 8,438,000 | 3,350,000 | 5,088,000 | 8,438,000 |
| 2032 - 2036 | - | - | - | 4,280,000 | 4,141,400 | 8,421,400 | 4,280,000 | 4,141,400 | 8,421,400 |
| 2037 - 2041 | - | - | - | 4,460,000 | 3,065,000 | 7,525,000 | 4,460,000 | 3,065,000 | 7,525,000 |
| 2042 - 2046 | - | - | - | 5,740,000 | 1,796,250 | 7,536,250 | 5,740,000 | 1,796,250 | 7,536,250 |
| 2047 - 2051 | - | - | - | 4,200,000 | 322,000 | 4,522,000 | 4,200,000 | 322,000 | 4,522,000 |
| Thereafter | - | - | - | - | - | - | - | - | - |
| Total minimum payments | \$ - | - | - | 24,635,000 | 20,241,775 | 44,876,775 | 24,635,000 | 20,241,775 | 44,876,775 |
| Less: amounts representing interest | | | | | | | | | (20,241,775) |
| Present value of future minimum payments | | | | | | | | | 24,635,000 |
| Unamortized net premium/(discount) | | | | | | | | | 4,211,000 |
| Total long-term debt obligations | | | | | | | | | 28,846,000 |
| Less: current portion | | | | | | | | | (470,000) |
| Long-term debt obligations, net of current portion | | | | | | | | | 28,376,000 |

7 Transactions with related entities:

| | |
|--|------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | 4,349,219 |
| Payments to University for other than salaries of University personnel | 12,889,730 |
| Payments received from University for services, space, and programs | 6,787,748 |
| Gifts-in-kind to the University from discretely presented component units | 756,996 |
| Gifts (cash or assets) to the University from discretely presented component units | 522,569 |
| Accounts (payable to) University | (363,649) |
| Other amounts (payable to) University | |
| Accounts receivable from University | 577,667 |
| Other amounts receivable from University | 1,194,661 |

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8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

| | Debit/(Credit) |
|----------------|----------------|
| Restatement #1 | |
| Restatement #2 | |

9 Natural classifications of operating expenses:

| | Salaries | Benefits - Other | Benefits - Pension | Benefits - OPEB | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total operating expenses |
|------------------------------------|----------------------|------------------|--------------------|-----------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | 87,152 | 235,769 | 13,345 | 2,807 | | 546,295 | | 885,368 |
| Research | 8,137,225 | 709,399 | 1,246,068 | 262,150 | | 9,932,857 | | 20,287,699 |
| Public service | 5,387,163 | 1,182,730 | 824,945 | 173,554 | | 4,127,372 | | 11,695,764 |
| Academic support | 453,887 | 163,988 | 69,505 | 14,622 | | 650,725 | | 1,352,727 |
| Student services | 234,349 | 65,486 | 35,886 | 7,550 | | 880,748 | | 1,224,019 |
| Institutional support | 3,526,005 | 1,419,314 | 539,943 | 113,595 | | 4,869,587 | | 10,468,444 |
| Operation and maintenance of plant | 80,512 | 32,617 | - | - | | 2,065,757 | | 2,178,886 |
| Student grants and scholarships | | | | | 128,461 | | | 128,461 |
| Auxiliary enterprise expenses | 6,991,362 | 1,905,266 | 1,070,599 | 225,235 | | 15,980,657 | | 26,173,119 |
| Depreciation and amortization | | | | | | | 3,020,646 | 3,020,646 |
| Total operating expenses | \$ 24,897,655 | 5,714,569 | 3,800,291 | 799,513 | 128,461 | 39,053,998 | 3,020,646 | 77,415,133 |

Other Supplementary Information

Cal Poly Corporation
Statements of Financial Position of the California State
University – San Luis Obispo Alumni Association
June 30, 2021 and 2020

| | 2021 | 2020 |
|-----------------------------------|--------------|------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 118,427 | \$ 151,987 |
| Certificates of deposit | 34,543 | 38,538 |
| Accounts receivable | 205,699 | 161,733 |
| Inventories | 856 | 856 |
| Prepaid expenses and other assets | 4,292 | |
| Total current assets | 363,817 | 353,114 |
| Other assets: | | |
| Investments | 765,148 | 614,730 |
| Total assets | \$ 1,128,965 | \$ 967,844 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,192 | \$ 995 |
| Total current liabilities | 1,192 | 995 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 1,127,773 | 966,849 |
| Total unrestricted net assets | 1,127,773 | 966,849 |
| Total liabilities and net assets | \$ 1,128,965 | \$ 967,844 |

See accompanying independent auditor's report.

Cal Poly Corporation
Statements of Activities of the California State
University – San Luis Obispo Alumni Association
Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|-------------|
| Unrestricted revenue and support: | | |
| Donations and grants | \$ 14,375 | \$ 44,509 |
| Travel and promotion | 21,430 | 22,077 |
| Homecoming | | 37,050 |
| Investment gain | 179,227 | 349 |
| External activities | 28,531 | 328,672 |
| Total unrestricted revenue and support | 243,563 | 432,657 |
| Expenses: | | |
| Program services: | | |
| Salaries and wages | | 2,835 |
| Postage | 38 | 953 |
| Tax preparation | 2,485 | 2,625 |
| Office expense | 16,900 | 50,085 |
| Accounting services | 3,157 | 7,025 |
| Hosting special events | 13,227 | 7,229 |
| External activities | 628 | 45,513 |
| Scholarships | 38,564 | 55,000 |
| Other | 7,640 | 20,065 |
| Total expenses | 82,639 | 191,330 |
| Change in unrestricted net assets | 160,924 | 241,327 |
| Unrestricted net assets - beginning of year | 966,849 | 725,522 |
| Unrestricted net assets - end of year | \$ 1,127,773 | \$ 966,849 |

See accompanying independent auditor's report.